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London
Stock Exchange Group

A global markets infrastructure business

Annual Report
31 December 2015

Who we are

London Stock Exchange Group is a global markets infrastructure business. We provide valuable services for a wide range of customers, focusing on Capital Formation, Risk and Balance Sheet Management and Intellectual Property.

The Group plays a vital economic and social role in enabling companies to access funds for growth and development.

Further information on London Stock Exchange Group can be found at: www.lseg.com.

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Registered in England and Wales
No. 5369106



STRATEGIC REPORT

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

Sign-off for the Strategic Report is provided in the Directors' Report on page 88.

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GROUP FINANCIAL STATEMENTS

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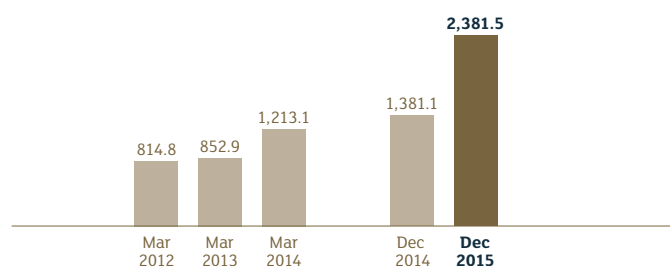
Highlights

During 2014, the Group changed its financial year end to 31 December. As a consequence, this report shows audited results for 12 months to 31 December 2015, and the comparative for the 9 months to 31 December 2014. To provide further insight, we also show comparative information on a calendar 12 month basis to 31 December 2014 (unaudited).

All figures in the 6 graphs below are for 12 month periods to either end of March or end of December (unless otherwise stated) and include continuing and discontinuing operations.

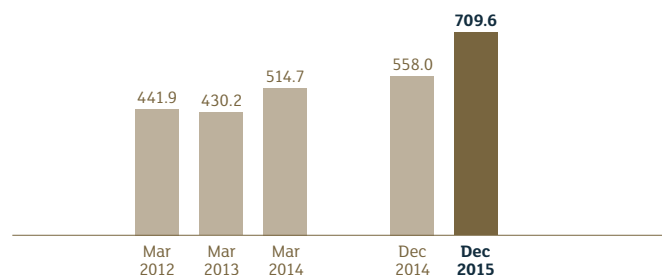
Total income*

£ m



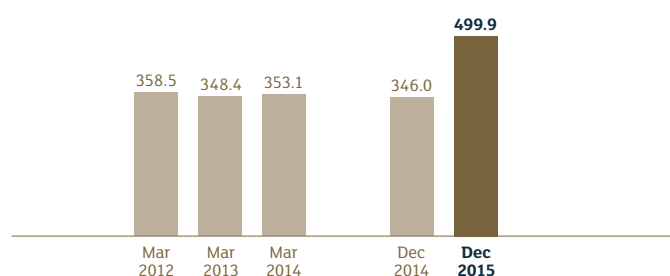
Adjusted operating profit*

£ m

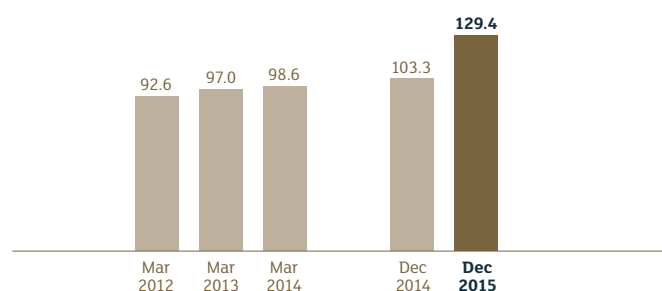


Operating profit*

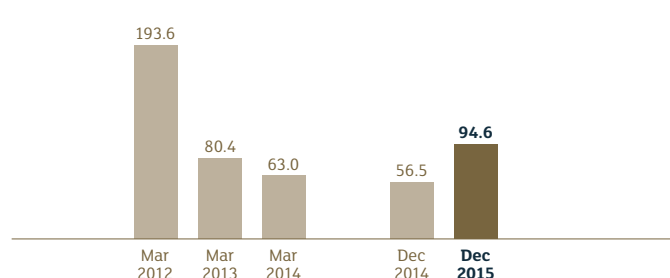
£ m



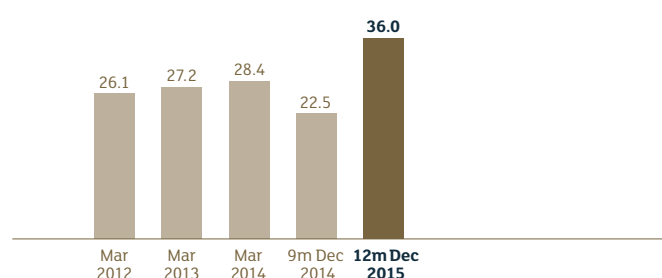
Adjusted earnings per share (pence)*



Basic earnings per share (pence)*



Dividends per share (pence)*



Year ended 31 December	12 months Dec 2015			9 months Dec 2014	12 months Dec 2014 (unaudited)	12 months Dec Total Variance %
	Continuing	Discontinued	Total			
Total income	£1,418.6m	£962.9m	£2,381.5m	£1,043.9m	£1,381.1m	72%
Adjusted operating profit*	£584.7m	£124.9m	£709.6m	£417.5m	£558.0m	27%
Operating profit	£404.4m	£95.5m	£499.9m	£242.1m	£346.0m	44%
Adjusted profit before tax*	£516.4m	£127.0m	£643.4m	£368.2m	£491.7m	31%
Profit before tax	£336.1m	£97.6m	£433.7m	£191.0m	£277.9m	56%
Adjusted basic earnings per share*	103.4p	26.0p	129.4p	75.6p	103.3p	25%
Basic earnings per share	74.8p	19.8p	94.6p	37.9p	56.5p	67%

* London Stock Exchange Group uses non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. From 2014, the Group changed its financial year end to 31 December. As a consequence, the above table shows comparison to the statutory results for the 9 months to 31 December 2014 and, to provide further insight, comparative information for a full calendar year 2014 (unaudited). Adjusted operating profit, adjusted profit before tax and adjusted earnings per share all exclude amortisation and impairment of purchased intangibles and goodwill and non-recurring items.

The Group is executing on its strategy, building best in class capabilities, driving global growth and developing opportunities with our customers. A few examples of the progress being made are highlighted below:

Capital Markets

- Revenues for the year increased by 3% on an organic constant currency basis, down 1% in Sterling terms to £330.3 million (2014: £333.2 million)
- Primary Markets saw 176 new companies choosing to list on our markets, with total money raised across our equity markets down 2% to £41.7 billion
- In Secondary Markets, UK cash equity average daily value traded increased by 7%, average daily number of trades in Italy increased by 6% and average daily value traded on Turquoise increased by 16%
- Volumes on IDEM, the Group's Italian derivatives market, increased by 14%
- In Fixed Income, MTS cash and BondVision value traded declined by 2%, while MTS Repo increased by 19%
- CurveGlobal, a joint venture with major dealer banks and CBOE, trading interest rate futures to go live in 2016

Post Trade Services – CC&G and Monte Titoli

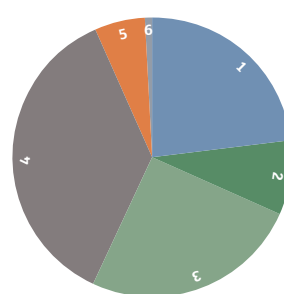
- Income for the year increased by 3% on a constant currency basis, in Sterling terms income declined by 8% to £119.1 million
- CC&G cleared 120.1 million contracts, up 10%
- Average initial margin held increased by 24% to €12.3 billion
- Monte Titoli was the largest CSD to participate in the initial wave of T2S

Post Trade Services – LCH.Clearnet

- LCH.Clearnet's income for 2015 was £360.7 million, down 7% in sterling terms and down 4% on a constant currency basis. Excluding London Metal Exchange (LME) clearing revenue in 2014, income increased by 7% on a constant currency basis
- SwapClear, a leading interest rate swap clearing service globally, cleared US\$533 trillion notional, down 17%. Client trades cleared increased by 67% to 678,000
- Compression services at SwapClear reduced the level of notional outstanding from US\$362 trillion to US\$251 trillion at the end of 2015
- Cash equity clearing volumes increased by 21% to 549 million trades due to increases in the number of venues and customers served

Group Total Continuing Income by segment*

£ m



12 months to
31 Dec 2015

1. Capital Markets	330.3
2. Post Trade Services CC&G and Monte Titoli	119.1
3. Post Trade Services LCH.Clearnet	360.7
4. Information Services	517.4
5. Technology Services	80.6
6. Other	10.5
	1,418.6

Information Services

- Revenues for the year increased by 42% to £517.4 million (2014: £363.7 million), with first full year contribution from Russell Indexes and good growth from UnaVista and SEDOL. On an organic constant currency basis revenues increased by 5%
- FTSE Russell launched as a single global brand with integrated client facing teams
- FTSE Russell signed licensing agreements with US derivatives exchanges CME and CBOE
- Real time data revenues declined by 2% on lower UK user numbers
- Continuing strong growth from UnaVista and SEDOL

Technology Services

- Revenues for the year increased by 22% to £80.6 million (2014: £66.0 million)
- A range of key worldwide technology deliveries and agreements were completed with financial sector firms from Canada, India, Morocco, Peru and South Africa
- Exactpro Systems, acquired in 2015, specialises in functional and non-functional testing of systems that process wholesale financial products across multiple asset classes
- Shared Service Company launched, providing a range of technology services Group-wide

Other

- Following a review of the investment management business of Frank Russell Company, the Group announced the agreed sale of this business in October 2015 with completion expected in H1 2016

FURTHER INFORMATION

More detailed information on the performance of our business segments can be found on pages 20–35.

Note: Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Bonds.com, MTS Indices, Frank Russell Company, Proquote and Exactpro. Revenues and KPIs are all on a 12 month calendar year basis (2014: 12 months revenues unaudited). Constant currency basis – 2014 revenues or income rebased to 2015 average foreign exchange rates.
* Total income for 12 months to end December, excludes Russell Investment Management which is expected to be sold in H1 2016 and Proquote which was sold in Q4 2015.

Chairman's statement



“The Group is in a strong position globally and all of us – with good reason – can look forward to a strong and vibrant future.”

Donald Brydon CBE

Chairman

Overview

I welcome this first opportunity to communicate with shareholders since I became Chairman of London Stock Exchange Group in July last year. 2015 was a year of further development for the Group as it continued to expand its global presence and business footprint while delivering growth, both through acquisition and organically. Progress on the execution of our strategy and our financial performance are detailed in this Annual Report.

The Group remains a key facilitator of capital raising, helping companies from around the world raise a total of £42 billion in 2015 through new and further equity issues. It also provides a series of leading market data and benchmarking tools and produces systemically important balance sheet and risk management services.

As announced in October 2015, the Group has agreed the disposal of Frank Russell Company's investment management business for gross proceeds of US\$1,150 million. The sale followed the completion of a comprehensive review of the business and the transaction is expected to close in the first half of 2016. The Russell Index business has been successfully combined with FTSE to create FTSE Russell, a leading global index player. We remain on track to deliver the targeted revenue and cost synergies.

Shortly after my appointment, the Board reviewed and endorsed the Group's strategy. As I have considered the Group, I see its strategy as having four distinct layers: excellent execution of our core business strategy in Capital Formation, Risk and Balance Sheet Management and Intellectual Property; the identification, development and delivery of innovative initiatives; continued expansion through partnership and acquisition; and developing a global relevance through our unique open access philosophy.

Since year end, the Group has also confirmed detailed talks of a potential all-share merger of equals with Deutsche Börse. Should the potential merger proceed, the Combined Group would be a UK plc, domiciled in London. The Board considers that the value creating opportunities of the combination are substantial and would create a leading European-based global markets infrastructure group with significant customer benefits. Discussions between the parties remain ongoing regarding the other terms and conditions and there can be no certainty a transaction will occur. We will keep shareholders updated and any transaction would be subject to LSEG shareholder approval, Deutsche Börse shareholder acceptance, as well as regulatory approvals and other customary conditions.

I have been impressed with the quality and depth of the executive team developed by Xavier Rolet and by the enthusiasm and dedication of all involved in the growth of the business. As a markets infrastructure provider, the Group has technology at the core of all its operations and is well equipped with the skills to ensure its technology remains both cost effective and fit for purpose in a rapidly changing environment.

Financial performance

The Group delivered a good financial performance with all businesses delivering growth on an underlying, organic constant currency basis. Total income rose to £2,381.5 million, up 72% on a continuing and discontinued basis. Adjusted operating profit increased 27% to £709.6 million and operating profit increased 44% to £499.9 million.

The Board has reviewed the Group's capital management, encompassing its debt position, investment needs and development opportunities. As a consequence of the Group's good ongoing financial performance, strong cash generation and financial position, the Board is proposing a step up in the final dividend, to 25.2 pence per share. This results in a total dividend for the year of 36.0 pence per share, an implied increase of 20%. The final dividend will be paid to shareholders on the register as at 6 May 2016. Please see the Financial Review section of this report for further commentary on our capital management considerations and dividend policy.

Corporate responsibility

As a global organisation, we understand that our responsibilities go beyond finance. We seek to encourage growth and expand opportunities – and we are committed to doing so through four channels:

- Our markets – promoting the dynamic companies and asset classes that will ensure long-term economic prosperity
- Our services – enabling investors to make informed and sustainable investment decisions
- Our people – recruiting and supporting on the basis of talent
- And in our surrounding communities – we are helping young people develop the skills to drive positive change for themselves and those around them

In the past year, the Group donated over £2.1 million to charities with employees also participating in a number of events with our partner charities around the world. Our partner charities focus on helping to support the next generation and a full summary of our activities can be found on page 36 as well as in our standalone Corporate Responsibility Report, which can be accessed from our website: www.lseg.com/about-london-stock-exchange-group/corporate-responsibility.

Governance

Elsewhere in this report, I share my thoughts on the role governance plays in ensuring shareholders' assets are properly stewarded.

The foundations of governance are strong and I am delighted that the Board has been joined by Lex Hoogduin, Mary Schapiro and David Nish, whose 3 different geographic bases and nationalities reflect the changing footprint of the business. They bring, amongst many other skills, risk management, regulatory understanding and financial leadership to the Board.

My predecessor left big shoes to fill and I would like to record my gratitude to Chris Gibson-Smith for all his years of service to the Group. He had some very turbulent years through which to navigate and he leaves behind a Group whose strength and global relevance are hugely enhanced.

During 2015, we also lost the services of Robert Webb after 14 years as well as Joanna Shields on her appointment to government. Massimo Tononi also left the Board following his appointment as Chairman of Banca Monte dei Paschi di Siena SpA. They will each be missed for their positive contribution and wise counsel. On behalf of the Board, I thank them all.

Recognising the recent rapid expansion of the Group, the Board has agreed to strengthen the governance in 2016 by forming both Regulatory and Technology Advisory Groups to ensure the Board has access to the best possible advice. This will enable Directors to draw on experience from outside the Board in the important areas of technology and regulation.

The Board recognises the benefit throughout the Group of having access to the diversity of input from a wide range of backgrounds, nationalities and genders. This is reflected at Board level by the diverse backgrounds of the Directors. In 2015, the Group established a Women's Inspired Network (WIN) to support women globally across the Group, as well as to support women and girls in our local communities.

Conclusion

There are, of course, many risks in the global economy and uncertainty over Britain's place in Europe. And indeed the shape of Europe's risk profile is changing – the relative stability of the Cold War has given way to increased volatility and unpredictability in geo political events.

Under the able leadership of our Chief Executive, Xavier Rolet, the Group is in a strong position globally and all of us – with good reason – can look forward to a strong and vibrant future. I thank all those who contributed to the success in 2015 through their dedication and hard work.


Donald Brydon

Chairman

4 March 2016

Chief Executive's statement



“In an increasingly global, interconnected world, open access to any market lies at the heart of business.”

Xavier R Rolet KBE
Group Chief Executive

Overview

London Stock Exchange Group continued to build in 2015 and delivered another strong financial performance through both organic and inorganic growth. Our vision is to become a leader in global markets infrastructure, well positioned to take advantage of industry trends and opportunities. We have taken steps in a number of areas to execute this strategy and as a result, LSEG is an increasingly global business with a balanced, diversified portfolio of assets.

Developing our partnership approach

Our ongoing commitment to operating an open access model is delivering tangible results, offering choice and partnership across all of our businesses. A number of initiatives were announced throughout the year, including the forthcoming launch of CurveGlobal, a new interest rate derivatives joint venture with a number of major dealer banks and CBOE. All products designed and supported by CurveGlobal will be admitted to trading on the Group's London Stock Exchange Derivatives Market, and cleared through LCH.Clearnet. CurveGlobal adds to LSEG's other partnerships with customers, including MTS in fixed income and Turquoise in equities. Elsewhere, FTSE Russell signed licensing agreements with CME and CBOE to develop futures and options contracts in the US with the first products launched at the end of 2015.

MillenniumIT continues at the forefront of LSEG's commitment to global partnerships and now works with over 40 Capital Markets businesses around the world. It has continued to see solid growth and has gone live with projects at Bolsa de Valores de Lima and Aequis NEO in Canada. And, in Information Services, UnaVista confirmed a partnership with US-based DTCC to provide a reporting service to help customers comply with their increasing regulatory reporting requirements.

In an increasingly global, interconnected world, open access to any market, from labour and Intellectual Property to food and industrial goods, lies at the heart of business. Financial markets are no exception and we will continue to champion this model to deliver greater efficiencies and choice for our customers.

Driving global growth

Our businesses are growing in scale and in global reach, and as a result becoming more relevant for our customers who can work with us across a number of geographies and businesses. The integration of our two leading index businesses has significantly strengthened the Group's global offering in Intellectual Property. FTSE Russell is now unified under a single brand and is firmly embedded in global investment processes with around US\$10 trillion assets under management (AuM) benchmarked to its indexes. The combined business has enhanced our North American footprint and FTSE's long-term presence in China means that it is the most successful benchmark provider supporting international investment in China. In May 2015, FTSE Russell announced the start of its transition to include China A Shares in its global benchmarks and large institutional investors, including Vanguard's Emerging Markets ETF have started to track these indexes.

Despite recent market volatility, the importance of the Chinese markets, alongside other high-growth emerging market countries such as India, remains as strong as ever. London Stock Exchange is working with Shanghai Stock Exchange on a study for the UK and Chinese Governments to assess the feasibility of a potential connection between London and Shanghai markets. In addition, over the course of 2015, LSEG signed a number of cooperation agreements with banks and broking firms from both China and India, as well as a Memorandum of Understanding with the National Stock Exchange of India. Both India and China have placed emphasis on Green finance and this will be an important area of focus for the Group going forward. London Stock Exchange launched a dedicated green bond segment in 2015 and, as part of the Chinese President's state visit, Agricultural Bank of China issued the first green bond by a Chinese institution outside Greater China in October. The International Finance Corporation also issued the first offshore green 'masala bond' in August.

In Post Trade, SwapClear, LCH.Clearnet's OTC interest rate derivatives clearing service, remains a global leader. A majority of all interest rate swaps by members and clients are cleared through SwapClear. Amidst record volumes of cleared trades in 2015, SwapClear compressed US\$328 trillion over the year, reducing the notional outstanding by over US\$100 trillion from almost US\$362 trillion at the start of the year to US\$251 trillion, with strong uptake of its innovative enhanced compression services by members and their clients. SwapClear also successfully launched clearing of inflation swaps, a world first, with over US\$425 billion cleared since launch in April. This has also resulted in the emergence of a price difference associated with where to clear a swap. We believe that this structural shift, with a price divergence depending on the particular clearing house through which a trade is cleared, will remain and LCH.Clearnet is well positioned to benefit from this. LCH.Clearnet's credit default swaps clearing business has also seen significant growth over the course of 2015, ahead of the expected introduction of a clearing mandate in Europe.

Delivering best in class capabilities

The Group has retained its focus on innovation and developing products that provide solutions for our customers. In Post Trade, Monte Titoli completed the migration to Europe's T2S platform and launched its new tri-party collateral management tool, X-COM. LCH.Clearnet's ForexClear announced plans to build an FX options clearing offering and its RepoClear service saw growing momentum in €GCPlus, a new general collateral clearing service in partnership with EuroClear and with the support of Banque de France. MTS, the Group's electronic fixed income trading platform, is one of the providers supporting the trading of these repo transactions and we expect to see continued growth in 2016.

In 2015, Turquoise, our pan-European trading platform, surpassed more than €1 trillion value traded for the first time. Turquoise Block Discovery, its innovative product to facilitate large-in-scale trades, now averages single executed orders in excess of €200,000, more than 20 times larger than the average €10,000 for continuous dark order books. The Group's Italian derivatives platform also saw good growth, with contracts traded on the platform increasing by 14%.

Our long-term public support to help finance the real economy remains a key area of focus both for our Capital Markets business, but also because of our commitment to corporate responsibility in the communities in which we operate. SMEs are the key to future economic growth and high quality job creation across Europe and we support the measures being proposed as part of the Capital Markets Union Action Plan, which will help simplify the process for high-growth companies seeking access to non-bank finance more efficiently. Within the Group, ELITE, our innovative business support programme for private companies, now has over 300 firms from across 21 European countries with combined revenues of €30 billion accounting for over 120,000 jobs across Europe. We also announced the launch of ELITE Connect, a unique on-line platform for public companies, intermediaries and institutional investors, facilitating communications between them. AIM, the world's most successful growth market, celebrated its 20th anniversary in 2015. Since inception, AIM has welcomed more than 3,500 companies raising more than £95 billion through IPOs and further issues.

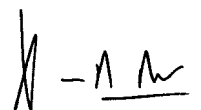
In other areas, we announced the sale of Russell Investments to TA Associates and Reverence Capital Partners for gross proceeds of US\$1,150 million and are working to deliver a smooth transition of ownership, expected in the first half of 2016. We also completed the sale of a non-core asset Proquote, a UK market data vendor from our Information Services division.

Outlook

LSEG remains well positioned to benefit from the evolving regulatory landscape in which we operate. Although the implementation of landmark legislation in Europe, MiFID II, is likely to be delayed, we support its aims, which will promote greater competition, transparency and innovation. We firmly believe that transparency and consumer choice will create deeper pools of liquidity, reduce costs and lead to better risk management in the financial system through netting and cross-margining and we will continue to work with market participants to ensure a smooth transition.

We continue to focus on strong cost discipline during a period of heightened capital expenditure as we integrate new operations, focusing on efficient new technology and investing for future growth. We remain on track to deliver the cost efficiencies and synergies at LCH.Clearnet and FTSE Russell.

We operate in a dynamic industry and we are not complacent. However, the role of a global open access markets infrastructure business has never been more relevant. In February 2016, the Group confirmed that it is in detailed discussions with Deutsche Börse regarding a potential all-share merger of equals. The potential merger would represent a compelling opportunity to strengthen each other in an industry-defining combination, creating a European-based global market infrastructure group with significant benefits for our customers. Discussions between the parties remain ongoing and there can be no certainty that a transaction will occur. Against this backdrop one thing is certain – we remain committed to delivering enhanced service and products for our customers and value for our shareholders.


Xavier R Rolet

Group Chief Executive
4 March 2016

Overview of Group activities

London Stock Exchange Group is a global market infrastructure business, incorporating a range of businesses including London Stock Exchange, Borsa Italiana, FTSE Russell Indexes, MillenniumIT and LCH.Clearnet. The information on these pages and on pages 10–11 provides an outline of our business model and core activities.

This overview covers ongoing Group businesses. It excludes Russell Investment Management which is expected to be sold in H1 2016.

CAPITAL MARKETS	POST TRADE SERVICES CC&G AND MONTE TITOLI
<p>Provides access to capital for domestic and international businesses and efficient electronic platforms for secondary market trading of equities, bonds and derivatives.</p> <p>Group total income: 23%</p>	<p>Offers efficient clearing, settlement and custody services for cash equity, derivative, commodity and fixed income markets, mostly in Italy.</p> <p>Group total income: 8%</p>
<p>TOTAL INCOME CONTRIBUTION</p> <p>£330.3m</p> <p>2014 (12 months): £333.2m</p> <p>SUB-SEGMENT</p>  <ul style="list-style-type: none"> ● Primary ● Secondary – equity ● Secondary – fixed income derivatives and other 	<p>TOTAL INCOME CONTRIBUTION</p> <p>£119.1m</p> <p>2014 (12 months): £129.1m</p> <p>SUB-SEGMENT</p>  <ul style="list-style-type: none"> ● Clearing ● Interest ● Settlement and Custody
<p>MAIN TYPES OF REVENUE</p> <p>Primary Markets</p> <ul style="list-style-type: none"> – Admission fees for initial listing or raising further capital – Annual fees for securities traded on our markets <p>Secondary Markets</p> <ul style="list-style-type: none"> – Fees based on value traded (UK equities) or number of trades or contracts (Italian equities, retail bonds and derivatives) 	<p>MAIN TYPES OF REVENUE</p> <p>Clearing – CC&G</p> <ul style="list-style-type: none"> – Fees based on trades or contracts cleared, and Central Counterparty (CCP) services provided – Net interest on cash and securities held for margin and default funds <p>Settlement and Custody – Monte Titoli</p> <ul style="list-style-type: none"> – Revenue mostly from the settlement of equity and fixed income trades – Custody fees are charged on the issuance of an equity or fixed income instrument, when dividend and interest payments are made and on any corporate action
<p>CUSTOMER PROFILE</p> <p>Primary Markets</p> <ul style="list-style-type: none"> – Companies from 65 countries around the world have come to our markets to raise money for growth, together with issuers of bonds, ETFs and other instruments <p>Secondary Markets</p> <ul style="list-style-type: none"> – Banks and brokers worldwide, trading on the Group's equities, derivatives and fixed income trading platforms 	<p>CUSTOMER PROFILE</p> <p>CC&G</p> <ul style="list-style-type: none"> – 159 members, mainly banks and brokers, over 40% of which are based outside Italy <p>Monte Titoli</p> <ul style="list-style-type: none"> – Wide range of Italian and international banks and brokers for both on market and OTC trades. Issuers of equity and fixed income products (Italian and international)
<p>Primary Markets</p> <p>HIGHLIGHTS</p> <ul style="list-style-type: none"> – 176 new companies joined our markets in the year (2014: 219) <p>KPIs</p> <p>Number of companies on our markets 2015: 2,685 (2014: 2,752)</p> <p>Capital raised by new and further equity issues 2015: £41.7bn (2014: £42.6bn)</p> <p>Secondary Markets</p> <p>HIGHLIGHTS</p> <ul style="list-style-type: none"> UK cash equity value traded increased by 6%, Borsa Italiana cash equity number of trades up 7% Turquoise average daily value traded increased by 16% MTS Repo fixed income volume traded up 19% <p>KPIs</p> <p>Average order book equity value traded per day in London 2015: £4.9bn (2014: £4.6bn)</p> <p>Average number of equity order book trades per day in Italy 2015: 280,000 (2014: 264,000)</p> <p>MTS Repo notional value traded €88.9tn (2014: €74.4tn)</p> <p>MTS Cash and Bond Vision volumes €4,081bn (2014: €4,185bn)</p>	<p>CC&G</p> <p>HIGHLIGHTS</p> <ul style="list-style-type: none"> – Clearing of equity and derivatives volumes increased by 10% <p>KPIs</p> <p>Number of equity and derivative contracts cleared 2015: 120.1m (2014: 108.7m)</p> <p>Average initial margin held 2015: €12.3bn (2014: €9.9bn)</p> <p>Monte Titoli</p> <p>HIGHLIGHTS</p> <ul style="list-style-type: none"> Monte Titoli was the largest CSD to participate in the initial wave of T2S Settlement rate of 98–99% of trades, post T2S migration <p>KPIs</p> <p>Settlement instructions handled 2015: 60.3m (2014: 64.8m)</p> <p>Monte Titoli's assets under custody 2015: €3.31tn (2014: €3.35tn)</p>

Note: Other income £10.5 million (1% of Group total income). Excluded from these figures £962.9 million relating to Russell Investment Management and Proquote.

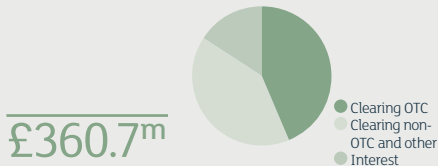
**POST TRADE SERVICES
LCH.CLEARNET**

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

Group total income: **25%**

TOTAL INCOME CONTRIBUTION

SUB-SEGMENT



2014 (12 months):
£389.4m

MAIN TYPES OF REVENUE

Clearing and related services

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

Interest income

- Net interest on cash held for margin and default funds

CUSTOMER PROFILE

Clearing services

- A wide base of banks, brokers and fund manager firms worldwide for OTC derivatives and listed equities, exchange traded derivatives, fixed income and commodities

Clearing services

HIGHLIGHTS

- SwapClear Compression services enhanced with resulting US\$111 trillion annual drop in interest rate swaps notional outstanding
- LCH.Clearnet was named Risk Magazine's 2016 Clearing House of the Year for the third year in a row

KPIs

SwapClear notional cleared 2015: **US\$533tn** (2014: US\$642tn)
 SwapClear notional compressed 2015: **US\$328tn** (2014: US\$292tn)
 SwapClear Client trades cleared 2015: **678,000** (2014: 407,000)
 Cash equity trades cleared 2015: **549m** (2014: 452m)
 Average cash collateral held 2015: **€56.9bn** (2014: €47.1bn)

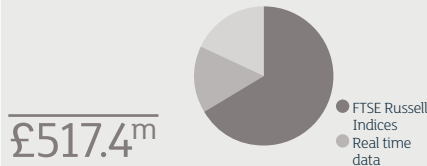
INFORMATION SERVICES

Provides a wide range of information and data products including indexes and benchmarks, real time pricing data, product identification, reporting and reconciliation services.

Group total income: **37%**

TOTAL INCOME CONTRIBUTION

SUB-SEGMENT



2014 (12 months):
£363.7m

MAIN TYPES OF REVENUE

Indexes – FTSE Russell

- Subscription fees for data and analytic services
- Licence fees for passive funds and derivatives tracking indexes

Real time data

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

Other information

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

CUSTOMER PROFILE

Indexes – FTSE Russell

- Asset owners and managers, active and passive buy-side firms and trading venues

Real time data

- Direct to trading firms and via service providers, such as Bloomberg and Thomson Reuters, that incorporate our data with other information

Other information

- Our customers vary based on the service provided, including banks, brokers and fund managers

FTSE Russell

HIGHLIGHTS

- FTSE Russell launched as a single global brand with integrated client facing teams
- FTSE Russell signed licensing agreements with US derivatives exchanges CME and CBOE

KPIs

ETF assets benchmarked to FTSE Russell indexes 2015: **US\$381bn** (2014: US\$369bn)

Real time data

HIGHLIGHTS

- Direct billing, enterprise licence and non-display tariff initiatives

KPIs

Number of professional terminals taking Group data 2015: **207,000** (2014: 207,000)

Other information

Regulatory News Service processed over **325,000** announcements

TECHNOLOGY SERVICES

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

Group total income: **6%**

TOTAL INCOME CONTRIBUTION

SUB-SEGMENT



2014 (12 months):
£66.0m

MAIN TYPES OF REVENUE

Technology

- Sales of capital markets software, including trading, market surveillance and post trade systems
- Provision of enterprise sales and IT infrastructure services in Sri Lanka and to international capital markets customers
- Fees for network connections, server hosting and systems supplied by Group businesses

CUSTOMER PROFILE

MillenniumIT

- London Stock Exchange Group divisions, other exchange groups and capital market clients, banks, IT and large Sri Lankan companies

Technology

- Banks, trading firms and depositories in Europe, North America, Africa and Asia-Pacific region

HIGHLIGHTS

- A range of key worldwide technology deliveries and agreements were completed, with financial sector firms from Argentina, Canada, India, Morocco, Peru and South Africa
- Exactpro Systems, acquired in 2015, specialising in functional and non-functional testing of systems that process wholesale financials products across many asset classes

KPIs

Availability of UK equity market during the year 2015: **100%** uptime (2014: 100%)

What we do

ABOUT OUR GROUP

London Stock Exchange Group (LSEG) is a diversified global markets infrastructure business that operates on an open access model, offering choice and partnership to customers across all of its businesses. The Group can trace its history back to 1698.

Our business activities fall into 3 categories:

- Capital Formation
- Risk and Balance Sheet Management
- Intellectual Property

Capital Formation

The Group operates a broad range of international equity, ETF, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS (a leading European fixed income market); and Turquoise (a pan-European equities MTF). Through its platforms, LSEG offers market participants, including retail investors, institutions and SMEs, unrivalled access to Europe's capital markets. The Group also plays a vital economic and social role, enabling companies to access funds for growth and development.

Risk and Balance Sheet Management

Risk and Balance Sheet Management services is a significant and increasingly important part of the Group's operations. In addition to a majority ownership of LCH.Clearnet (a leading global multi asset CCP), LSEG owns CC&G (an Italian based multi asset CCP); Monte Titoli (an Italian based leading European custody and settlement business); and globeSettle (a newly established Central Securities Depository based in Luxembourg).

Intellectual Property

Through FTSE Russell, the Group is a global leader in financial indexing, benchmarking and analytic solutions with approximately US\$10 trillion in assets benchmarked to its indexes. The Group also provides customers with an extensive range of real time and reference data products as well as reporting, reconciliation and confirmation services, including SEDOL, UnaVista and RNS.

The Group is a leading developer and operator of high performance technology solutions, including trading, market surveillance and post trade systems for over 40 organisations and exchanges including the Group's own markets. Additional services include network connectivity, hosting, and quality assurance testing. Our Group technology companies include MillenniumIT, GATElab and Exactpro.

Headquartered in London, with significant operations in North America, Italy, France and Sri Lanka, the Group employs approximately 5,550 people.

NEED HELP?

Like any industry, global markets infrastructure has its own unique language. For that reason, we have included a glossary on pages 150–151.

HOW WE ADD VALUE

Our Capital Markets, Information Services and Post Trade operations are connected to an increasingly international range of issuers, traders and investors, creating a valuable network that provides deep liquidity, forms the basis of trading and investing decisions, and provides market efficiencies to support capital allocation and risk management.

We provide a range of connected market services on an open access basis, which offers our customers the choice of using our services without imposing or restricting usage.

We have proven expertise in operating transparent, efficient and well governed market infrastructure in highly regulated capital markets, providing market services that are trusted, independent, and resilient.

RUSSELL INVESTMENT MANAGEMENT

On 8 October 2015, LSEG announced that it had agreed the proposed sale of Russell Investment Management, subject to customary closing adjustments and other required approvals. As this business is non-core, it has been excluded from the business model, which shows the Group's ongoing operations.

Our business model

Our business model, with its unique features, enables us to pursue the most attractive opportunities globally to build innovative and profitable businesses, delivering superior customer choice and service. Our business activities fall into 3 interconnected categories. The model below shows how our businesses link together:

CAPITAL FORMATION

CAPITAL MARKETS (Primary Markets, Secondary Markets)

PRIMARY MARKETS (CAPITAL RAISING)

Our central function is to bring together companies seeking capital with investors from around the world.

SECONDARY MARKETS (TRADING)

Our markets and systems provide all market participants with efficient, deep and liquid access to financial securities for the purpose of risk transfer and capital allocation.

RISK AND BALANCE SHEET MANAGEMENT

POST TRADE SERVICES (Clearing, custody, settlement and asset services)

The Group offers a full range of post trade services, providing Risk and Balance Sheet Management solutions to a range of customers.

Services:

- ▶ Central counterparty (CCP) clearing services
- ▶ Custody and settlement
- ▶ Collateral management and asset services

INTELLECTUAL PROPERTY

INFORMATION SERVICES (Indexes, real time pricing data, product identification, reporting and reconciliation services)

We provide a wide range of information and data products, including indexes and benchmarks, real time pricing and data, product identification reporting and reconciliation services.

TECHNOLOGY SERVICES (Global markets infrastructure technology solutions)

All of our businesses depend on technology that is secure, stable and performs to high levels of accuracy and throughput. MillenniumIT, GATElab and Exactpro are developers of flexible, low cost, high performance trading, market surveillance and post trade systems as well as network connectivity, hosting, and quality assurance testing services.

Note:
Arrows indicate valuable interconnected relationships between business categories.

Unique features of our business model:

We believe that 2 key features of our business model will position us to deliver increased value to our customers and shareholders, and differentiate us amongst competitors in the financial markets infrastructure industry: Open Access and customer partnership.

Open Access

- Open Access is the principle which lies at the heart of free and fair markets, and underpins the approach to the European Union single market philosophy
- We believe customers should have the choice in where they place their business. In particular, we support non-discriminatory access to trading and clearing infrastructures, which provides greater market efficiencies
- We provide access to all of our markets and products for a wide range of users

Example:

FTSE Russell licences its indexes to other exchange operators, such as CME and CBOE, enabling them to list derivatives products based on our indexes. LCH.Clearnet provides CCP clearing services to venues such as Nasdaq (Nasdaq Nordic and NLX) and Euronext.

Customer partnership model

- We believe that aligning our strategy, services and products to the interests of our customers supports long term value creation, enabling innovation in products which can be rapidly adopted. In some businesses, we are joint owners with our customers

Example:

Many of our operating companies are governed in partnership with our customers who have varying minority shareholder interests in each e.g. LCH.Clearnet, Turquoise, MTS, CurveGlobal.

Market trends and our response

There are many trends and developments that are shaping our industry and the way we operate.

Through its 3 core business activities: Capital Formation, Risk and Balance Sheet Management and Intellectual Property, the Group supports global economic growth by providing markets infrastructure to facilitate effective, safe, and transparent global capital allocation, trading and investment decisions, and associated risk and capital management requirements.

Our customers range from the world's largest financial institutions to individual investors. Whatever their size, today they share exposure to a hugely dynamic markets landscape, which continues to drive changes in their needs and by extension the products and services that the Group can provide to them.

There continues to be substantial change in global markets, driven in particular by actions resulting from the global financial crisis in 2008. The broader industry (including buy-side and sell-side participants, clearing houses, custodians, markets infrastructure and financial technology providers) have all had to reassess their strategies, business models and risk frameworks. We see the drivers of this change being the impact of trends in:

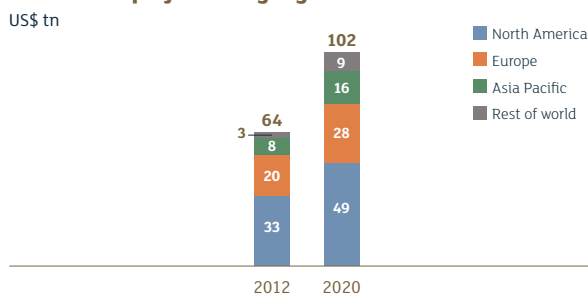
1. Globalisation and growing global wealth
2. Infrastructure industry competitive environment
3. Changing investment behaviours
4. Customer balance sheet and capital constraints
5. Regulatory changes

1. Globalisation and growing global wealth

Our customers are increasingly global and require global solutions for their infrastructure needs. Global wealth is increasing, and developing markets will have a much larger share of the world's assets and savings pool.

Global assets under management (AuM) is forecast to grow by 6% per annum between 2012–2020¹. Developed markets in North America and Europe are expected to comprise the largest share of global wealth, but developing markets will have an increasing share¹. Many of our institutional customers are already global companies with operations in all major regions. Capital allocation and investment decisions are taken on a cross-border basis, and naturally the infrastructure that customers require needs to be on a similar cross-border basis.

Global AuM projection by region for 2020¹



IMPLICATIONS FOR LSEG

We have operations in multiple countries and regions to service the global needs of our customers. We are building a global, inter-connected sales force with commonality in our approach and interactions with customers. We are deliberately growing our physical presence in areas which have, or are expected to have, the most material needs for markets infrastructure e.g. the US, China.

1. Source: PwC Asset Management 2020: A Brave New World.

2. Infrastructure industry competitive environment

As our products, services and geographic presence have increased, our position in the industry landscape has evolved from being a national exchange operator to a global markets infrastructure operator.

Markets infrastructure needs to be global, efficient scalable and innovative to meet the needs of our customers. Accordingly, we have seen and also selectively participated in the ongoing industry consolidation trend as a route to achieve our vision, and execute against our strategic growth plans.

In 2015, there has been a slew of acquisitions across the sector in trading, information services, post trade and technology. It is expected that the customer benefits of being serviced by infrastructure providers having scale, scope and reach will continue to drive consolidation in the industry in 2016 and beyond.

IMPLICATIONS FOR LSEG

In this context, the Group is focused on organic execution and operation of our existing businesses, while seeking to deliver new innovative initiatives.

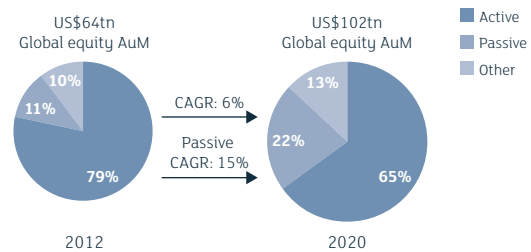
As the financial infrastructure industry continues to consolidate, we will assess both organic and inorganic opportunities that may arise.

3. Changing investment behaviours

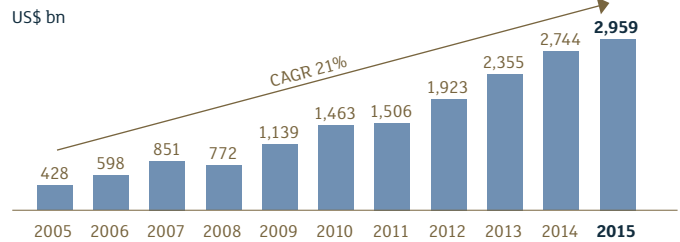
Investors' search for yield in a low returns environment is leading to a relative shift towards low cost passive and smart beta investment products, away from active investment management.

The demand for returns in a low growth environment is continuing to drive an increase in global AuM, which is forecast to grow by 6%¹ per annum. to 2020. As a result, the mix of investment styles is shifting towards low cost investment products such as ETFs and other tracker type products. The global ETF market has seen growth in AuM of 21% per annum from 2005–15² and is expected to maintain double-digit growth through 2016².

Global AuM by Investment Style¹



Global ETP AuM²



IMPLICATIONS FOR LSEG

We are well positioned to capture investment trends through our FTSE Russell business focusing on equity, fixed income, smart beta, and ETF benchmarking. We have a low cost, scalable model with global presence and sales capability. Our index data subscription revenue model is exposed to the growth in the absolute size of AuM managed by active managers, as they seek to benchmark performance; while our passive fund licence revenue model is exposed to the faster growing AuM passive management trend, which is forecast to grow at 15%¹ per annum through to 2020.

1. Source: PwC Asset Management 2020: A Brave New World.
2. Source: BlackRock Global ETP Landscape – December 2015.

Market trends and our response continued

4. Customer balance sheet and capital constraints

Significant regulatory driven change continues to affect customer balance sheets and the profitability of traditional business models.

Post financial crisis, the focus by regulators, governments, and market participants to decrease levels of systemic risk has led to a number of new regulations designed to increase bank balance sheet capital buffers, increase levels of CCP clearing, introduce transparency and provide mechanisms of 'safety catches', to help prevent future financial crises.

This has led to a reduction in the returns on invested capital within the traditional business models that our customers have operated. In particular, the OTC Fixed Income, Currencies & Commodities (FICC) divisions of banks and trading firms face increasingly onerous balance sheet requirements. As a result, they continue to search for ways to upgrade their operations to improve their profitability and capital efficiency, increase risk management and governance processes, cut costs, and optimise collateral, all while dealing with reduced liquidity. Their own end customers (buy side institutions) are experiencing similar change trends.

We expect further deleveraging from the bank dealer community to impact their FICC businesses in particular – this may lead to a new lower level of liquidity and market volumes in the traditional (and historically OTC) swaps, bond and repo markets.

IMPLICATIONS FOR LSEG

Trading and post trade

The drive for balance sheet efficiency may lead to permanent retrenchment of dealer banks FICC businesses impacting market volumes, and directly negatively impacting our Capital Markets business.

In parallel, we expect increased demand for our capital efficiency driven solutions e.g. CCP clearing, portfolio compression, collateral management and post trade processing services, such as LCH, CC&G, globeSettle, Monte Titoli, and UnaVista.

Investment management lifecycle

Increased benchmarking solutions create direct opportunities for our FTSE Russell business which will continue to provide greater transparency and efficiency to our clients.

Technology

As our broad customer base seeks to reduce costs, there may be long term opportunities for our technology businesses to provide outsourced solutions.

5. Regulatory changes

Significant regulatory driven change continues to affect customer balance sheets and the profitability of traditional business models.

Regulatory change continues to have a material impact on the global financial markets in which we operate. The regulation emerging since the global financial crisis has predominantly been focused on increasing prudential requirements, risk management and investor protections, along with greater market transparency. Regulatory developments along these themes impact the services we provide across the value chain and the activities of our customers. In this section, we highlight the major regulatory initiatives that are shaping our business and the broader market. We also describe the impacts expected in our main business segments.

We set out below the key regulatory initiatives, and include more detail in a table at the back of this report (pages 152–153) that organises these regulatory developments by each business area.

Key legislation:

Markets in Financial Instruments Directive/Regulation (MiFID II/MiFIR)

MiFID II/MiFIR represents the widest ranging of the EU legislative initiatives, in terms of its impact on the Group and its customers. Its scope in relation to LSEG includes rules relating to investor protection, market transparency and trading structures, market data provision and publication, trading market microstructure, transaction reporting, the new SME Growth Market regime, open access provisions, clearing houses and benchmarks providers. The Group's customers will have to ensure they are 'MiFID compliant' by the implementation date, which is scheduled for January 2018.

IMPLICATIONS FOR LSEG

Although technical standards are still to be agreed, the Group believes that the provisions are broadly either neutral or positive for the Capital Markets businesses, with Open Access potentially providing opportunities across all Group segments (see section following on page 15 on Open Access).

In our Information Services segment, UnaVista may benefit from increased trade reporting opportunities while provisions creating a consolidated tape for distribution of some real time data may mean change to our business and revenue model in due course.

Capital Markets Union (CMU)

CMU is a plan by the EU Commission that aims to create deeper and more integrated European capital markets. The CMU Action Plan sets out work streams designed to unlock investment from the EU and the rest of the world, improve financing for EU companies and investment projects, make the financial system more stable, deepen market integration and enhance competition. LSEG is closely following initiatives to modernise the EU Prospectus Directive, reviews on the functioning of the corporate bond market, measures to increase securitisation, as well as the Commission's review of national barriers to the free movement of capital and initiatives to support SME growth markets. The Commission aims to implement measures resulting from all Action Plan initiatives by 2019.

The Commission also aims to increase retail participation in capital markets, through CMU initiatives to remove barriers to retail investment and creating a policy framework to create simple and competitive personal pensions.

IMPLICATIONS FOR LSEG

These initiatives may increase activity across our Primary and Secondary Markets, and may lead to more activity in our post trade businesses.

Proposal for EU Prospectus Regulation

New prospectus legislation is designed to provide all types of issuers with disclosure rules tailored to their specific needs, reducing administrative burdens and capital raising costs while making the prospectus a more relevant information tool for potential investors. The primary legislation is expected to be adopted by the Council and Parliament in 2016/2017.

IMPLICATIONS FOR LSEG

The modernised prospectus regime could increase issuance and trading activity in all of our Capital Markets operations.

European Markets Infrastructure Regulation (EMIR)

EMIR, which came into force in 2012, sets out a pan-European regulatory regime for CCPs and Trade Repositories and reporting and risk management requirements for derivative counterparties. Of particular relevance to LSEG's CCPs, the first central clearing requirements will commence from mid 2016. The Commission is also expected to publish a legislative proposal for CCP recovery and resolution rules by the end of 2016. During 2015, the Commission led an industry review of the EMIR rules and is expected to issue a final report by end Q1 2016, confirming the areas where further legislation will be developed.

IMPLICATIONS FOR LSEG

Introduction of clearing requirements should benefit LCH's OTC derivatives clearing services. globeSettle, the Group's new Luxembourg-based Securities Settlement System (SSS), has the opportunity to benefit from providing settlement and custody services linked to management of collateral at CCPs. LSEG awaits publication of the CCP recovery and resolution proposals.

Open Access

Open Access refers to provisions within MiFID II that change the way some clearing houses, trading venues and index/benchmark providers will need to provide their products. Changes, which will apply when MiFID II comes into effect, require access to be provided to all potential users of trading, clearing and indices, on a non-discriminatory basis.

IMPLICATIONS FOR LSEG

Open Access is a principle that underpins our strategy and business model (see pages 16–17, 11) and does not present disruption to the way we currently operate. Our clearing services already accept trades for clearing that originate from venues outside of the Group, some of our trading venues already provide choice of clearing through alternative CCPs outside of the Group, and FTSE Russell provides index licences to a number of exchange businesses that are competitors to our trading venues.

Open Access increases competition across a range of services, and potentially provides the Group's relevant businesses with opportunity to launch new products and attract new trading and clearing flows.

Strategy in action

VISION

Our ambition is to become a leader in global markets infrastructure. We are focused on establishing our Group as an innovative, customer-focused organisation that delivers leading market infrastructure services on a global basis.

Our strategy is set against this ambition, and our activities are aligned to 3 strategic pillars. Reflecting the way the Group has expanded and developed in recent years, we have refined these strategic pillars to update our approach for realising our ambition.

STRATEGY

Delivering best in class capabilities

We continue to develop our skills, tools and assets to ensure we are able to capitalise on emerging customer needs – driving increased operational efficiency so we always execute on time, and to budget

PROGRESS – SELECTED EXAMPLES

- Announced the agreed sale of Russell Investment Management for £752 million (US\$1,150 million)
- LCH.Clearnet increased cost synergies target to €100 million run-rate per annum, delivered by end of 2017
- FTSE Russell index synergies remain on track to deliver announced targets
- Acquisition of Exactpro to enhance in-house quality assurance and IT/systems testing capabilities
- Announced plans to provide interest rate portfolio margining service through LCH.Clearnet (“LCH Spider”)
- Disposal of Proquote, a market data vendor and retail trading provider
- Initiated LCH.Clearnet systems transformation programme, including technology replatforming

STRATEGY

Driving global growth

Our commitment to continuing dynamic expansion across the value chain, products and geographies, and maximising value across the Group's businesses

PROGRESS – SELECTED EXAMPLES

- Monte Titoli live in TARGET2-Securities; X-COM launched
- FTSE Russell developing new products and benchmarks, ~US\$10 trillion in assets benchmarked to its worldwide indexes
- New ETF issuers joined our markets from Canada, China, India, Japan and US
- ELITE programme expansion into Europe; launch of ELITE Connect
- Announcement of new Rates Services-focused business division with dedicated management
- Information Services businesses, such as SEDOL and UnaVista, working alongside FTSE Russell's global presence and capabilities expanding into North America and Asia
- globeSettle pilot launched and the technology build completed

STRATEGY

Developing our partnership approach

A crucial difference between the Group and our main competitors. Through our Open Access philosophy, and driven by continued innovation, it creates optionality to develop commercial and corporate opportunities amidst ongoing industry and regulatory change

PROGRESS – SELECTED EXAMPLES

- Announced FTSE Russell licensing agreements with CBOE and CME
- Turquoise selected by PLATO Partnership for dark block equity trading services
- Announcement of CurveGlobal, a new interest rate derivatives joint venture in partnership with major dealer banks and CBOE
- Launched Turkish Equity Index Derivatives on London Stock Exchange Derivatives Markets (LSEDM) through our partnership with Borsa Istanbul
- Enhanced Group-wide customer relationship management programme
- Heads of Terms signed with Boat Services to build a MiFID II compliant Trade Reporting service

Executive management team

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

There are 2 new appointments to the Executive Committee. Chris Corrado joined as Group Chief Operating Officer and Chief Information Officer in November 2015, replacing Antoine Shagoury who left the Group. Catherine Johnson, Global General Counsel, joined the committee with effect from early 2016. Alexander Justham also left during the year, with the position as Chief Executive Officer of London Stock Exchange plc taken on by Nikhil Rathi.

For further information on Xavier Rolet, David Warren and Raffaele Jerusalem, who are also members of the Board of Directors, see their biographies on pages 54–56.



Xavier R Rolet KBE
Group Chief Executive Officer



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



David Warren
Group Chief Financial Officer


Suneel Bakhshi

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


Len Brennan

Chief Executive Officer of Russell Investments and Group Director of Buyside Solutions. Joined the Executive Committee in December 2014 following the completion of the acquisition of Frank Russell Company. He has more than 30 years of experience in financial services, including President and CEO of Rainier Investment Management, and at Russell, latterly as CEO.


Chris Corrado

Group Chief Operating Officer and Chief Information Officer. Joined in November 2015 from MSCI where he was responsible for technology, data services and programme management. He has over 30 years of global experience in managing technology platforms and transformational change in the financial services industry. He has also worked for high growth technology companies including eBay, AT&T Wireless and Asurion.


Diane Côté

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


Serge Harry

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


Catherine Johnson

Global General Counsel. Joined the Group in 1996. She advises the Board and senior executives on key legal matters and strategic initiatives, and previously was head of the Group's Regulatory Strategy team. Qualified as a lawyer at Herbert Smith in 1993.


David Lester

Chief Strategy Officer. Joined the Group in 2001. He has over 23 years' experience in financial markets including with Thomson Financial, Accenture and KPMG.


Mark Makepeace

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


Nikhil Rathi

Chief Executive Officer of London Stock Exchange plc and Director of International Development. Appointed in May 2014 as Director of International Development, he joined from the UK Treasury, where he held a number of senior positions, including Director of the Financial Services Group, representing the UK Government's financial services interests internationally, and Private Secretary to the UK Prime Minister for 3 years from 2005 to 2008.

Introduction to segmental review

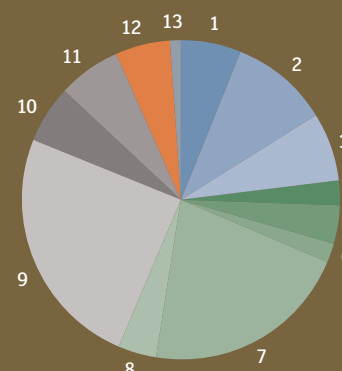


	12 months to 31 December 2015	12 months to 31 December 2014 (unaudited)
● Capital Markets	£m	£m
1 Primary Markets	88.8	88.8
2 Secondary Markets – Equities	143.7	139.2
3 Secondary Markets – Fixed income, derivatives and other	97.8	105.2
	330.3	333.2
● Post Trade Services CC&G and Monte Titoli		
4 Clearing (CC&G)	38.0	38.2
5 Settlement, Custody and other (Monte Titoli)	51.8	58.3
6 Net interest income	29.3	32.6
	119.1	129.1
● Post Trade Services LCH.Clearnet		
7 Clearing	302.1	329.4
8 Net interest income and Unrealised	58.6	60.0
	360.7	389.4
● Information Services		
9 FTSE Russell Indexes	348.9	196.8
10 Real time data	82.2	84.3
11 Other information	86.3	82.6
	517.4	363.7
● Technology Services		
12 Technology	80.6	66.0
	80.6	66.0
● Other		
13 Other	10.5	10.7
Total income*	1,418.6	1,292.1

*Excludes Russell Investment Management and Proquote.

Income for each segment shown is for 12 months to 31 December 2015, and comparison is made with the previous 12 months in 2014.

Total income*
£ m



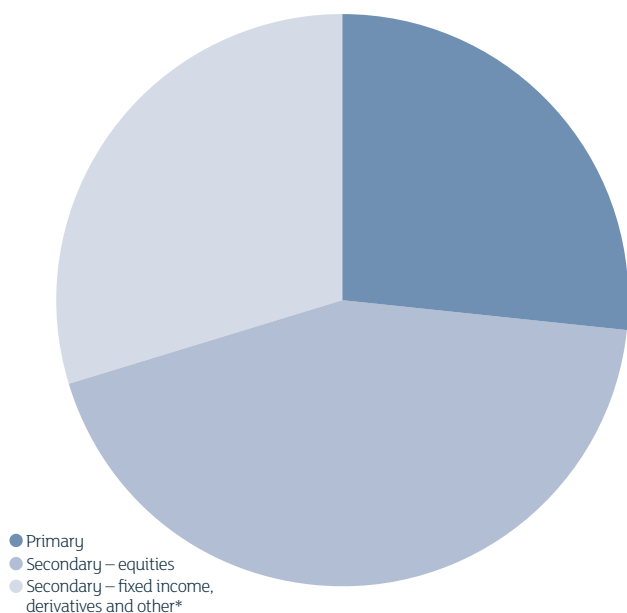
12 months to 31 December 2015

Capital Markets

Revenues

£330.3^m

2014: £333.2m



- Primary
- Secondary – equities
- Secondary – fixed income, derivatives and other*

FURTHER INFORMATION

To aid comparison purposes, revenues and KPIs are all on a 12 month calendar year basis (12 month revenues 2014 unaudited). Market trends and our response for Capital Markets can be found on page 12. Profitability of each segment can be found in the Financial Review on page 38. A glossary of terms can be found on pages 150–151.

* Other revenue includes Entrance and Membership fees

KEY SUMMARY

- Revenues for the year increased by 3% on an organic constant currency basis, down 1% in Sterling terms to £330.3 million (2014: £333.2 million)
- Primary Markets saw 176 new companies choosing to list on our markets, with total money raised across our equity markets down 2% to £41.7 billion
- In Secondary Markets, UK cash equity average daily value traded increased by 7%; average daily number of trades in Italy increased by 6% and average daily value traded on Turquoise increased 16%
- Volumes on IDEM, the Group’s Italian derivatives market, increased by 14%
- In Fixed Income MTS cash and BondVision value traded declined by 2%, while MTS Repo increased by 19%
- CurveGlobal, a joint venture with major dealer banks and CBOE, trading interest rate futures to go live in 2016

Introduction

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

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

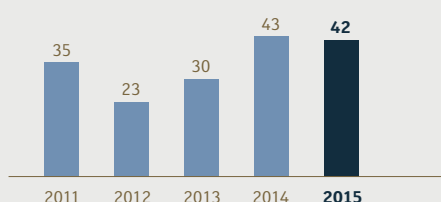
Primary Markets

In 2015, 176 new companies listed on our markets (2014: 219). The spread of admissions across our markets demonstrates our ability to support companies throughout their growth with 88 companies listing on our Main Market in London, 27 joining our Italian markets including 18 to AIM Italia and 61 admitted to AIM in the UK. The total money raised by companies through new issues to our markets was £14.3 billion (2014: £16.7 billion).

A number of high profile businesses chose to IPO on our markets in 2015 including Worldpay Group, the leading global payments company which raised £2.2 billion and with a market value of £4.8 billion, and subsequently joined the FTSE 100. Other notable IPOs included Auto Trader Group, the UK’s largest digital automotive marketplace which raised £1.4 billion with a market valuation of £2.4 billion and Sophos, the largest software IPO in UK history raising £352 million and valued at £1 billion. Our markets continue to support access to alternative financing highlighted by the listing of challenger banks Aldermore Group and Shawbrook Group and the Funding Circle SME Income fund, which invests in small business loans originated on its peer to peer lending platform.

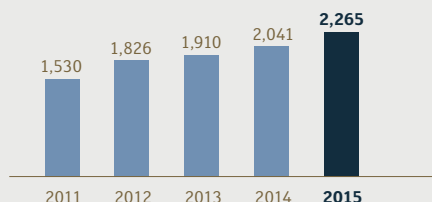
Equity money raised – Group

£ bn



Exchange Traded Products – Group

number listed at year end



In Italy, Poste Italiane raised €3.4 billion with a valuation of €8.8 billion, one of the largest listings in Europe in 2015. Amongst international companies listing on our markets was South32, an Australian metals and mining company which demerged from BHP Billiton with a market capitalisation of £6.0 billion. We saw a strong year for fund listings in London, with 25 funds raising £3.3 billion, up 22.5% (2014: 23 funds raised £2.7 billion).

The total amount of capital raised across our equity markets, through new and further issues, decreased by 2% to £41.7 billion (2014: £42.6 billion). Overall, IPOs performed well in 2015, outperforming the benchmark indexes. Looking ahead, there is a promising pipeline of companies preparing to join our markets. At year end, there were a total of 2,685 companies with equity listed on our markets (2014: 2,752).

Exchange Traded Products

Our Exchange Traded Funds (ETF) and Exchange Traded Products (ETP) markets saw strong growth across 2015. 166 new ETFs (2014: 108) and 55 new ETPs (2014: 13) were listed in London during the year, across a wide range of asset classes including equity, fixed income, commodities and foreign exchange. 5 new ETF issuers from around the world joined our market: BMO (Canada), CCBI (China), Nomura (Japan), Van Eck (US) and ZyFin (India), bringing the total number of issuers to 24.

In Italy, the ETFplus market listed 82 new ETFs and 56 new ETPs (2014: 27 ETFs and 1 ETP). During the year, ETFplus was expanded to allow trading in more than 100 open-ended funds.

2015 marked the 15th anniversary of the first ETF listing in London, highlighting the exceptional growth of these securities. At the end of the year, the total number of ETFs and other ETPs listed on our markets rose to 2,265 (2014: 2,041).

Across 2015, there were a number of firsts in ETFs. In March, a Chinese, CNY denominated, money market ETF listed in London, the first in Europe, allowing trading and settlement in CNY, GBP and EUR. September saw the first European ETF offering exposure to the cyber security industry, while November welcomed the first Indian fixed income ETF in London.

AIM

Celebrating its 20th anniversary in 2015, AIM is our highly successful growth market. AIM provides small and medium sized businesses access to a deep pool of long term international capital. There have been 3,639 admissions since AIM's launch in June 1995 with over £95 billion raised. Admissions for 2015 were lower at 61 (2014: 118) while the number of companies on the market at year end declined to 1,044 (2014: 1,104). The total market value increased to £73.1 billion (2014: £71.4 billion). Further issuance was strong across 2015, with £4.3 billion raised (2014: £3.3 billion).

ELITE

The ELITE programme provides support to high quality private companies, giving them access to potential investors and support from a wide ranging community of industry experts. ELITE continued to expand following last year's pan-European launch. The number of members so far has increased by over 50%, with 327 members (2014: 209) from across 21 countries with an aggregate revenue of €30 billion per annum. As part of our partnership plans, an agreement was signed with the Casablanca Stock Exchange to launch ELITE in Morocco.

ELITE Connect is a new platform offered by the Group and is a further extension of the ELITE programme to facilitate digital Investor Relations services. The platform which went live in November is based on open access technology, providing a social network functionality to connect companies with investors worldwide.

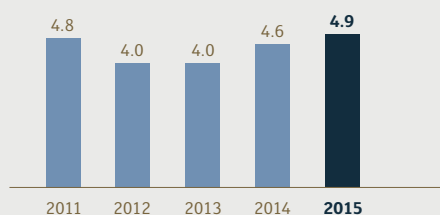
International

We have long been active in developing relationships with key international markets including China and India. This continued in 2015 where we facilitated the second Greater China Forum event hosted in Hong Kong. While promoting the benefits of listing in London, the event brought corporates from the buy-side and sell-side community in the region to look at opportunities in London and Europe's wider capital markets. Attendance was up 50% on the first event held in 2014. In March, we hosted a visit by India's Finance Minister, who addressed institutional investors and took part in a roundtable discussion on increasing foreign investment.

In bond issuance, the Bank of China listed its first Euro-denominated bond on the London Stock Exchange. The €500 million bond was part of a programme by the bank to provide funding for China's 'One Belt, One Road' projects. At the end of 2015, there were 46 Chinese companies quoted in London while there are 38 dim sum bonds on London Stock Exchange's markets, with an aggregate value of CNY22.8 billion/US\$3.5 billion. 4 Indian Rupee (INR) bonds listed during the year, 27 INR bonds have now listed in London. London is also a key global venue for Islamic Finance with more than US\$51 billion raised through 57 Islamic Sukuk issues, including 3 in 2015.

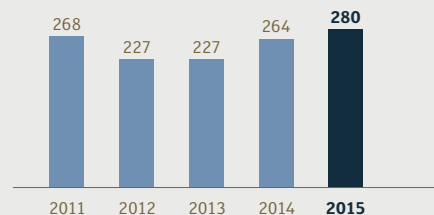
London Stock Exchange – average daily value traded

£ bn



Borsa Italiana – average daily number of trades

thousands



Capital Markets continued

Green Bonds

London Stock Exchange has launched a range of new segments on its fixed income markets dedicated to the issuance of green bonds. Green bonds are issued to finance eligible green projects and there are currently 26 green bonds listed, raising US\$5.2bn in 6 different currencies. Among the issues during the year was Agricultural Bank of China which issued a US\$1 billion green bond in USD and CNY.

Secondary Markets Equity Trading

Volumes for equity trading saw a year-on-year increase in both the UK and Italy. The average daily value traded for the UK was up 7% to £4.9 billion (2014: £4.6 billion); in Italy, the average daily number of trades rose by 6% to 280,000 (2014: 264,000).

In line with our open access policy, SETS and SETSxq order books in the UK added the ability to be cleared through a third cash equities central counterparty, as an interoperability link with EuroCCP went live in October.

Further consultation with market users on intra-day auctions was completed during the year, as a result, this initiative is now due to go live in 2016. The introduction of the intraday auction will provide a neutral, infrastructure-led solution for trading larger orders. The auction will allow participants to place orders in a truly confidential, yet price-forming environment via a well understood mechanism.

In June, regulatory approval was received from Hong Kong's Securities and Futures Commission allowing Hong Kong firms to become members of London Stock Exchange, with Bank of China International becoming the first in July. An agreement was also reached with the Israel Securities Authority to allow Israeli members to connect to London Stock Exchange and Turquoise markets.

London Stock Exchange is working with Shanghai Stock Exchange to assess the feasibility of a potential connection between London and Shanghai markets.

Turquoise

Turquoise is the European trading venue majority owned by London Stock Exchange Group in partnership with the user community. With a single connection, members can trade shares, depository receipts and ETFs across 19 European countries. Turquoise operates 2 discrete order books, 1 lit and 1 dark pool, within an open access model that allows trades to be cleared through 3 different central counterparties.

Total value traded for the year on Turquoise was up 16% to €1.09 trillion (2014: €0.94 trillion) across 205 million trades (2014: 198 million).

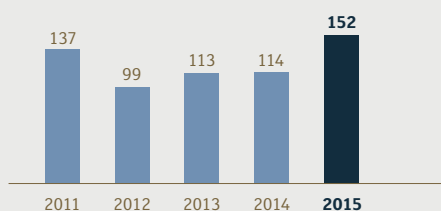
Turquoise Block Discovery has had a successful first full year, with over €1 billion value traded since launch in October 2014. The order book service gives priority to orders by price and size whereas other order books prioritise by price and time. The difference can be seen as average trade size in Block Discovery is €200,000 compared to more typically €5,000 in the lit order book.

Turquoise was selected following an intensive tender process as preferred technology partner by Plato Partnership, an industry group of asset managers and broker dealers working together to improve European market structures. This selection is recognition of Turquoise's record of innovation and commitment to customer partnership established with the buy and sell side.

The success of Turquoise was recognised by winning the 'Most innovative trading service' for Turquoise Block Discovery at the Financial News Trading and Technology awards 2015. LiquidMetrix the independent venue performance analytics firm for the third year recorded Turquoise Uncross as a high quality execution destination with low market impact compared to peers in October 2015.

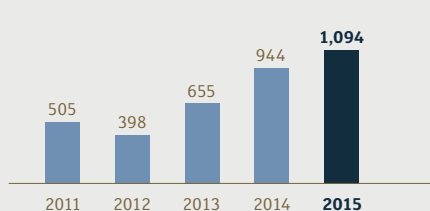
Exchange Traded Products – total value traded

£ bn



Turquoise – total value traded

€ bn



Exchange Traded Products

The Group has strengthened its position in ETF and other ETP trading in Europe by value traded. Total ETF value traded across our markets increased 33% to £152 billion (2014: £114 billion). An ETF segment dedicated to ETFs which offers settlement through Euroclear Bank rather than the domestic settlement venue, continued to grow and now has 58 ETFs (2014: 15) trading with an additional 31 ETFs offered as multi currency lines. ETFs trade on our platforms in 6 currencies including the Chinese renminbi and Hong Kong dollar.

Derivatives

Derivatives volumes on our markets saw an overall reduction, with 48.9 million contracts traded (2014: 50.4 million). Volumes on IDEM, the Group's Italian derivatives market increased by 14% to 44.4 million contracts (2014: 39.0 million), due to further growth seen in FTSE MIB products. This growth however was offset by a 61% reduction on the London Stock Exchange Derivatives Market (LSEDM) due to continued declines in the trading of Russian products with 4.5 million contracts traded (2014: 11.4 million).

In January 2015, London Stock Exchange Group signed a partnership agreement with Borsa Istanbul (BIST) allowing LSEDM to offer trading in Turkish index and equity derivatives products. Futures and options on the BIST 30 index have since been launched.

CurveGlobal

CurveGlobal is a new venture between London Stock Exchange Group, a number of major dealer banks and CBOE. Offering short term and long term interest rate futures initially. The trading of CurveGlobal products on LSEDM are expected to go live in 2016 subject to regulatory approval. The clearing for the service will be provided by LCH.Clearnet and products will be eligible for portfolio margining through LCH Spider, subject to regulatory approval.

Fixed Income

MTS is a leading regulated electronic trading platform for European wholesale Government Bonds and other types of fixed income securities. Volumes for MTS Repo, which offers significant liquidity across all the Eurozone repo markets, saw a good increase of 19% with notional value traded of €88.9 trillion (2014: €74.4 trillion). MTS Repo during the year started trading €GC Plus and X-Com cleared triparty products created by LCH.Clearnet/EuroClear and Monte Titoli/CC&G respectively. BondVision saw another record year as a result of stronger client distribution. Total MTS Cash and BondVision combined volumes decreased 2% year on year to €4,081 billion (2014: €4,185 billion).

MTS BondsPro, the US-based corporate and emerging markets bond trading platform, rebranded from Bonds.com following the Group's 2014 acquisition of the business, has strengthened its presence in the US market. In 2015, MTS BondsPro expanded its offering to provide US Corporate Bonds to the Swiss market, improving cross-border liquidity between US and European markets after being authorised as a foreign exchange in Switzerland, and enhanced market access by introducing pure web-based trading.

MTS Live, an ultra low-latency tick-by-tick market data product is supporting growth in the use of automated trading strategies in 12 MTS Cash markets. The depth of liquidity comes from over 100 participants trading more than 1,100 bonds, all generating on average 30 million executable prices per day. A number of sell-side institutions had joined at the end of 2015, with a pipeline of further additions expected in 2016.

Our retail bond markets, MOT in Italy, the most liquid and heavily traded retail fixed income platform in Europe, EuroTLX and the UK Order Book for Retail Bonds (ORB), continued to provide liquid markets despite a difficult low interest rate environment. On the MOT and EuroTLX markets total trades were 7.4 million (2014: 8.2 million) with value traded at €361 billion (2014: €421 billion). ORB saw 5 new bonds issued in 2015, raising £395 million and now has 173 bonds listed (2014: 179).

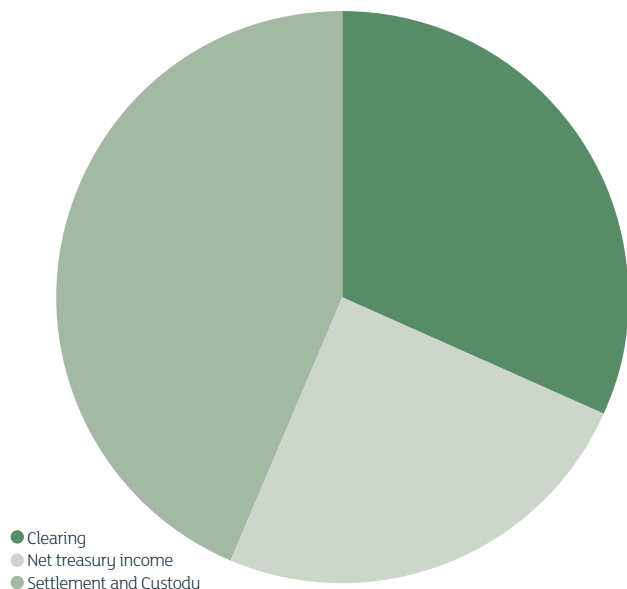
Post Trade Services

CC&G and Monte Titoli

Income

£119.1m

2014: £129.1m



KEY SUMMARY

- Income for the year increased by 3% on a constant currency basis. In Sterling terms income declined by 8% to £119.1 million
- CC&G cleared 120.1 million contracts, up by 10%
- Average initial margin held increased by 24% to €12.3 billion
- Net Treasury Income was unchanged in constant currency terms. In sterling terms declined 10% to £29.3 million
- Monte Titoli was the largest CSD to participate in the initial wave of T2S and was fully operational at the end of August
- globeSettle S.A. the Group's recently established CSD, based in Luxembourg, received final regulatory approvals

Introduction

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

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

Mauro Dognini, CEO of Monte Titoli, presented at LSEG investor's day in May, dedicated to the Post Trade segment of the business. Discussing T2S, a general overview was provided before detailing the opportunities for Monte Titoli. The presentation can be found at: www.lseg.com/investor-relations/investor-events.

CC&G

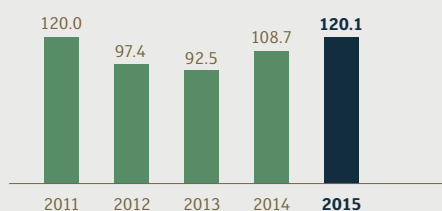
CC&G is the Group's Italian-based provider of risk management, open access clearing and CCP services. It is active in 12 markets and has 159 clearing members, of which over 40% are international. CC&G eliminates counterparty risk, by sitting in the middle of a trade as the buyer to every seller and the seller to every buyer, and becoming the guarantor for final settlement of the contracts. CC&G provides services across a diverse range of asset classes including cash equities, derivatives, closed-end funds, fixed income, energy products and agricultural commodity derivatives. CC&G has an interoperability agreement with LCH.Clearnet S.A. for European Bond and Repo markets.

FURTHER INFORMATION

To aid comparison purposes, revenues and KPIs are all on a 12 month calendar year basis (12 month income 2014 unaudited). Market trends and our response for Post Trade Services, CC&G and Monte Titoli can be found on page 12. Profitability of each segment can be found in the Financial Review on page 38. A glossary of terms can be found on pages 150–151.

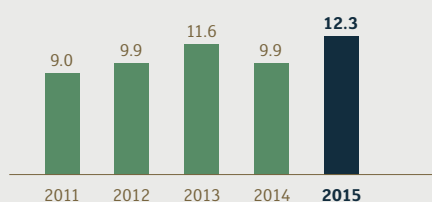
CC&G – Trades and contracts cleared

m



CC&G – Initial margin held

€ bn (average daily)



Clearing revenues increased on a constant currency basis by 10% as a result of increased cleared volumes in equities and derivatives; in Sterling terms, revenue decreased by 1% to £38.0 million (2014: £38.2 million).

CC&G generates net treasury income by investing the cash margin it holds. Average daily initial margin increased by 24% to €12.3 billion for the year (2014: €9.9 billion), reflecting increased Repo volumes and market volatility. The emergence of negative interest rates throughout Europe caused a headwind against net treasury income for the year, which resulted in a lower yield on the higher cash margin held. Net treasury income reduced to €29.3 million (2014: £32.6 million), down 10% in sterling terms or unchanged on a constant currency basis.

CC&G successfully supported Monte Titoli in its participation in the launch of the T2S framework. Using the experience gained, CC&G will offer its support to international banks that wish to connect to CCPs and CSDs through T2S. There is an expectation that due to the new framework, the client pipeline will strengthen across 2016.

Monte Titoli

Monte Titoli, LSEG’s Italian-based CSD, is a leading provider of efficient and secure pre-settlement, settlement, custody, asset servicing and collateral management services.

Settlement, custody and related revenues reduced by 1% on a constant currency basis and, in sterling terms, by 11% to £51.8 million (2014: £58.3 million).

Monte Titoli handles a wide range of financial instruments, with assets under custody amounting to €3.31 trillion (2014: €3.35 trillion). In 2015, its settlement service processed 60.3 million instructions, down 7% on the previous year (2014: 64.8 million), reflecting increased clearing netting efficiencies in Italian equity markets as well as lower number of corporate actions and bond issues. Monte Titoli continued to provide a low cost and efficient settlement system, with a settlement rate of 98–99% of trades by year end, as customers became more familiar with the new processes post migration to T2S (2014: 99.2%).

Monte Titoli was the largest CSD to participate in the initial wave of T2S and was fully operational at the end of August. This infrastructure project launched by the European Central Bank in 2008, aims to create a single pan-European platform for securities settlement and increase efficiencies by reducing

cross-border fees while adopting a more open access model, something the Group has been fully supportive of. The Italian market is anticipated to account for around 95% of volumes in the first wave and, represents an opportunity for Monte Titoli to expand its offering, delivering increase efficiency solutions and increase choice for customers.

X-COM, Monte Titoli’s Triparty Collateral Management service, was extended and improved across 2015, including a new segment for OTC repo activities and the management of negative interest rates. In November, MTS Repo customers were enabled to connect with X-COM to manage collateral securely.

In April 2016, Monte Titoli will mark the 30th anniversary of the date it was declared a CSD for Italian financial instruments.

globeSettle

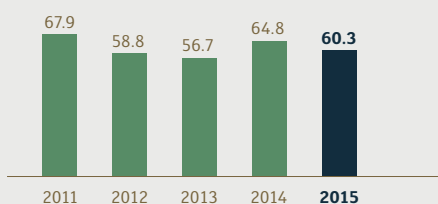
globeSettle S.A., the Group’s recently established CSD, based in Luxembourg, received final regulatory approvals both as a ‘Professionel du Secteur financier’ and as Securities Settlement System by the Banque Centrale de Luxembourg and the Eurosystem.

globeSettle was set up to support the large market players (issuers, custodians, collateral agents, broker dealers etc.) adapting to the evolving international securities markets arena strongly impacted both in Europe and in the other financial markets, by regulatory and infrastructure change.

globeSettle operates on an open access basis, with a fully international approach and system running on an operating day of 22 hours, providing the best possible market access to major securities markets around the globe. Beyond settlement and safekeeping, it offers its clients a full set of assets services including corporate actions and fiscal services.

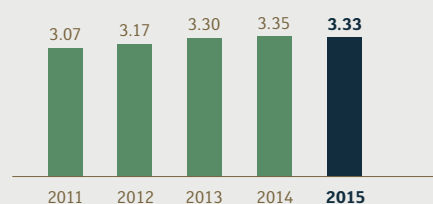
Monte Titoli – Settlement instructions

m



Monte Titoli – Assets under custody

€ tn (annual average)



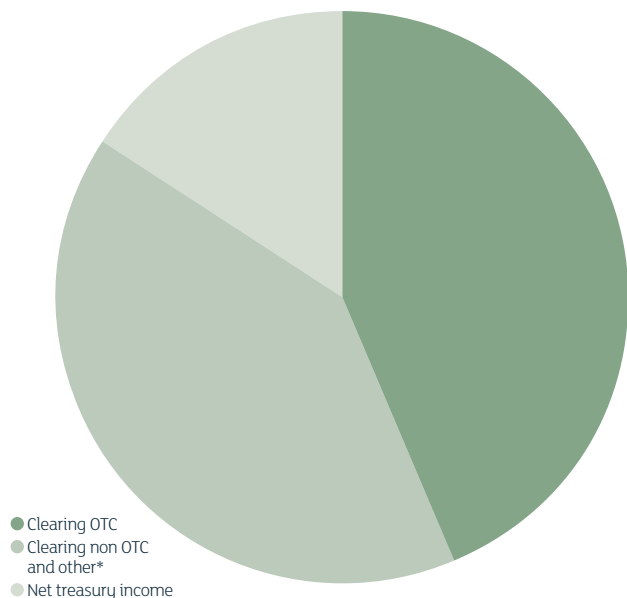
Post Trade Services continued

LCH.Clearnet

Income

£360.7^m

2014: £389.4m



KEY SUMMARY

- LCH.Clearnet’s income for 2015 was £360.7 million, down 7% in sterling terms and down 4% on a constant currency basis; excluding London Metal Exchange (LME) clearing revenue in 2014, income increased by 7% on a constant currency basis
- SwapClear, our interest rate swap clearing service, cleared US\$533 trillion notional, down 17%. Client trades cleared increased by 67% to 678,000
- Compression services at SwapClear reduced the level of notional outstanding from US\$362 trillion to US\$251 trillion at the end of 2015
- Fixed income clearing totalled €72.6 trillion in nominal value, in line with the previous year
- Clearing for the Nodal Exchange successfully migrated to its own clearing house
- Cash equity clearing volumes increased by 21% to 549 million trades due to increases in the number of venues and customers served
- LCH Spider, a portfolio margining service for OTC and listed rates derivatives, to be launched in 2016

Introduction

LCH.Clearnet is a leading multinational clearing house, with clearing operations in the UK, the Eurozone, the US and an expanding presence in the Asia-Pacific region. LCH.Clearnet provides services to mitigate counterparty risk across multiple asset classes for clearing members and their clients operating through an open access model that clears for the Group’s markets and other major exchanges and platforms as well as a range of OTC markets.

LCH.Clearnet sits in the middle of a trade as the buyer to every seller and the seller to every buyer. If either party defaults on the trade, LCH.Clearnet owns the defaulter’s risk and becomes accountable for its liabilities. Fundamental to LCH.Clearnet’s risk process is its collection of quality collateral from clearing members and clients as insurance to recover or replace defaulted risk. During the life of a trade, or that of a portfolio of trades, LCH.Clearnet processes all cash flows and marks the trade or book to market, calling variation and initial margin in relation to prevailing risk of the overall portfolio.

LCH.Clearnet participated at a Group investor event in May 2015. The event focused on the strategy, opportunities and developments in Post Trade. Senior managers from the business areas discussed the post trade landscape together with growth and cost opportunities. The event presentation and videos are available on our website: www.lseg.com/investor-relations/investor-events.

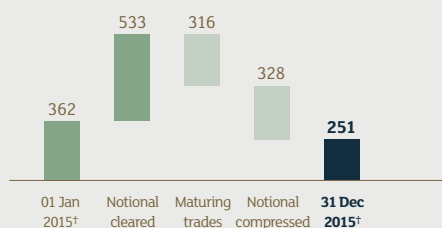
FURTHER INFORMATION

To aid comparison purposes, revenues and KPIs are all on a 12 month calendar year basis (12 month adjusted income 2014 unaudited). Market trends and our response for Post Trade Services, LCH.Clearnet can be found on page 12. Profitability of each segment can be found in the Financial Review on page 38. A glossary of terms can be found on pages 150–151.

*Other revenue includes non-cash collateral and compression fees

SwapClear – Compression volumes

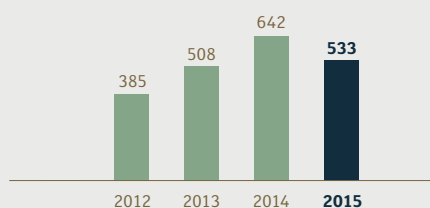
US\$ tn



† Notional outstanding

SwapClear – Total notional cleared

US\$ tn



A key development for LCH.Clearnet in 2016 will be the launch of LCH Spider. This service is the next step in portfolio margining for OTC and listed rates derivatives. Subject to regulatory approval, the service will offer margin offsets that provide capital efficiencies to its members and clients. With access to the world's deepest pool of cleared swaps liquidity, LCH Spider will be able to identify all eligible margin offsets and pass these efficiencies onto members and clients.

LCH.Clearnet won the Risk Magazine Clearing House of the Year for the third year in a row. Central Banking Journal awarded LCH.Clearnet its Market Infrastructure Provider of the Year Award and it was named the FOW International Awards Clearing House Of The Year for the Americas and Europe.

Total income in constant currency terms fell by 4% as a result of the loss of LME commodities clearing largely offset by increased SwapClear services. In sterling terms, income decreased by 7% to £360.7 million (2014: £389.4 million), and excluding the loss of LME commodities increased by 3%. OTC derivatives revenue increased by 13% to £156.8 million (2014: £138.2 million) driven by higher SwapClear membership levels and increased client activity. Non-OTC revenue, on a reported basis reduced by 28% to £114.5 million. Excluding the loss of LME commodities clearing in September 2014, revenues increased by 1% on a constant currency basis.

OTC derivatives

SwapClear

SwapClear is a global market leader in OTC interest rate swaps (IRS). SwapClear offers both buy and sell side clients access to unrivalled liquidity, cost saving efficiencies and rigorous risk management. The SwapClear service is used by members who are in general the large banks paying an annual membership fee to cover all clearing and by clients who are made up of other banks and investment funds and pay a fee per trade cleared. In 2015, SwapClear Membership increased to 116 (2014: 114). Total notional cleared was 17% lower at US\$533 trillion (2014: US\$642 trillion), of which client clearing totalled US\$93 trillion (2014: US\$122 trillion) with trades increasing 67% to 678,000 (2014: 407,000).

SwapClear's compression services allow members and clients to combine or offset trades resulting in a reduction in notional outstanding, more efficient portfolios and may result in lower regulatory capital requirements. Compression continued to show good progress with US\$328 trillion compressed (2014: US\$292 trillion) and driving a record reduction in notional outstanding from US\$362 trillion at the start of the year to US\$251 trillion at the end of the year. Over US\$110 trillion of net notional was eliminated across the year (2014: US\$64 trillion) increasing market efficiency and reducing client exposures. From October, Forward Rate Agreements (FRAs) blended-rate and variable notional swap compression were introduced, with this enhancement providing the potential for further notional to be eliminated.

April saw SwapClear's introduction of the first inflation-linked swap clearing made by a central counterparty. This service allows market participants to benefit from the efficiencies and enhanced risk management associated with central clearing. Additional benefits are possible by offsetting margin requirements with correlating interest rate derivatives.

In 2016, EMIR introduces mandatory IRS clearing for current clearing members with effect from 21 June 2016 and on a phased-in approach for other clients including non-member banks and investment funds.

ForexClear

ForexClear is LCH.Clearnet's service clearing foreign exchange (FX) non-deliverable forwards (NDF) in 12 currencies. ForexClear membership increased to 23 members (2014: 21), notional cleared increased by 16% to US\$1,050 billion (2014: US\$907 billion).

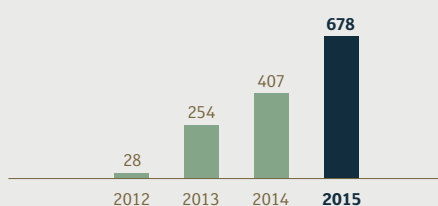
FX today is seen as a payment system and as an asset class in its own right, with over US\$5.3 trillion traded daily, only a small percentage is currently centrally cleared. Capital rule changes brought in since the financial crisis have impacted the foreign currency exchange market and though there is no mandate for compulsory FX clearing this has led to increased demand for clearing of FX trades. As ForexClear builds towards offering a complete central counterparty service for members and clients in anticipation of changing capital rules for members, ForexClear has partnered with CLS which operates the largest multicurrency cash settlement system for FX transactions to deliver settlement for cleared FX options. The service is targeted to launch in late 2016 subject to regulatory approvals. ForexClear is also looking to broaden the range of OTC FX products cleared such as options, forwards and swaps.

CDSClear

CDSClear offers default management provisions and clears the broadest set of European credit indices and single names. CDSClear is now dual registered, meaning it can act for members and clients both in the US and Europe. In June 2015, CDSClear launched European Senior Financials Credit Derivatives clearing and became the first and only CCP to clear all single name constituents of the indices, including CDS on its members banks. CDSClear will expand its product range to include US CDX Indices and Single names subject to regulatory approval.

SwapClear – Client: number of cleared trades

thousands



Post Trade Services continued

LCH.Clearnet

CDSClear offers the broadest European products coverage of any CCP. In June, CDSClear launched European Senior Financials Credit Derivatives clearing and became the first and only CCP to clear all single name constituents of the indices, including CDS on member banks.

Continued interest from new clients is expected ahead of the introduction of the European clearing mandate in mid 2016, making the opening of the service to client clearing the top priority for CDSClear in 2016.

CDSClear membership increased to 11 members (2014: 10), notional cleared increased by 179% to €172.8 billion (2014: €61.9 billion).

Non-OTC Clearing

Fixed Income

LCH.Clearnet delivered a good performance in repo and cash bond markets against difficult market conditions, clearing €72.6 trillion in the last year (2014: €73.4 trillion), across 15 European government markets including the Group's MTS bond markets and third party venues.

Volumes in the repo market overall have declined due to more stringent regulatory requirements on member banks' leverage ratios. However, the leverage ratio has made netting more attractive, such that cleared volumes at LCH.Clearnet have remained stable.

As part of the Group's investor event in May 2015, a number of opportunities were presented for the Fixed Income business including planned product enhancements for repo services, opportunities to add new end users as clients and geographic expansion.

Listed Derivatives and Cash Equities

The various Listed Derivatives venues cleared by LCH.Clearnet includes London Stock Exchange Derivatives Market, Euronext Derivatives Markets and NASDAQ's NLX. As expected, the clearing for the Nodal Exchange successfully migrated to its own clearing house during the year. Contracts cleared in 2015 reduced by 19% to 142.8 million, reflecting a decline in derivative trading across venues (2014: 176.8 million).

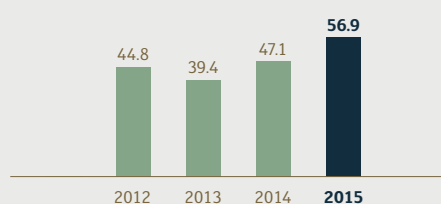
In Equities, the addition of new trading venues clearing through LCH.Clearnet has increased its market coverage, a primary objective set out at the start of 2015. During the year, Spanish and Polish securities, Turkish derivatives and NASDAQ Nordic exchange, began clearing with LCH.Clearnet, broadening the European position. Trades cleared in 2015 increased by 21% to 549.1 million (2014: 452.3 million).

Net treasury income

Net treasury income is the result of interest earned on cash assets lodged with the clearing house, less interest on members margin and default fund contributions. The level of funds held is primarily driven by volumes cleared and volatility in the market. Income is also driven by short-term interest rates predominantly in the euro, US dollar and UK sterling money markets. Average cash collateral held increased 21% to €56.9 billion on increased clearing volumes particularly in SwapClear (2014: €47.1 billion). Total net treasury income for LCH.Clearnet for 2015 reduced to £56.4 million reflecting lower interest rates (2014: £60.0 million).

Cash collateral held – daily average

€ bn

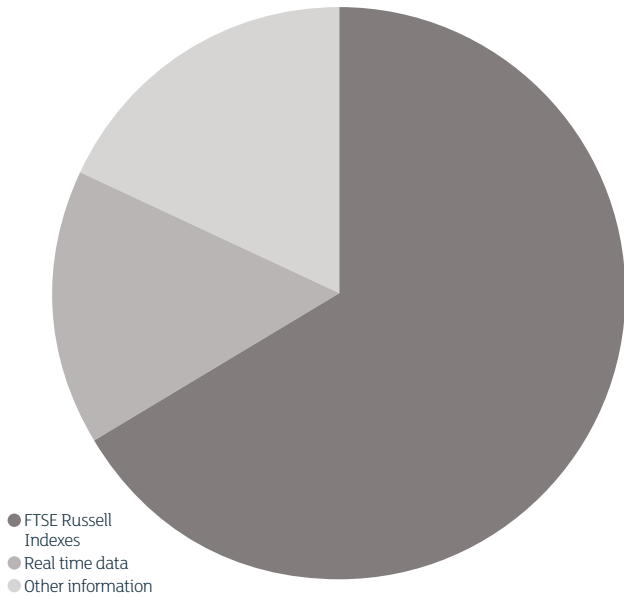


Information Services

Revenues

£517.4^m

2014: £363.7m



FURTHER INFORMATION

To aid comparison purposes, revenues and KPIs are all on a 12 month calendar year basis (12 month revenues 2014 unaudited). Market trends and our response for Information Services can be found on page 12. Profitability of each segment can be found in the Financial Review on page 38. A glossary of terms can be found on pages 150–151.

Note: Total revenues excludes Proquote which was sold in Q4 2015.

KEY SUMMARY

- Revenues for the year increased by 42% to £517.4 million (2014: £363.7 million), with first full year contribution from Russell Indexes and good growth from UnaVista and SEDOL. On an organic constant currency basis, revenues increased by 5%
- FTSE Russell launched as a single global brand with integrated client facing teams
- FTSE Russell signed licensing agreements with US derivatives exchanges CME and CBOE
- Real time data revenues declined by 2% on lower UK user numbers
- Other Information Service revenue increased by 4%

Introduction

Our Information Services division meets the needs of financial market participants for timely, reliable and accurate market information. We offer a wide range of services, including global indexes, real time pricing data, product identification, reporting and reconciliation services.

Information Services is a key area of strategic focus and it is an area where we are diversifying on a global basis, primarily through FTSE Russell, which was formed by the integration of FTSE and Russell Indexes following our 2014 acquisition of Frank Russell Company. FTSE Russell is now an index leader globally providing innovative benchmarking, analytics and data solutions.

With our product identification, reporting and reconciliation and news services, offered through UnaVista, SEDOL and Regulatory News Service (RNS), we meet our clients' need for enhanced and secure information services.

In November 2015 we presented an Information Services investor's event focusing on the strategy, opportunities and developments, including an update on the progress of the FTSE Russell integration. We highlighted the growth opportunities in the US, the largest global investment market; opportunities in China where managed assets are expected to grow more than fivefold between 2014 and 2020; Smart Beta Indexes where assets benchmarked are growing at 36% per annum; and Fixed Income which accounts for 41% of Institutional funds assets under management and where clients are looking for alternative indexing options. The event presentation and videos are available on our website: www.lseg.com/investor-relations/investor-events.

Information Services continued

FTSE Russell

FTSE Russell is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide with around US\$10 trillion, or a quarter of global equity assets benchmarked to its indexes. It calculates thousands of indexes that measure and benchmark markets and asset classes in 72 countries. FTSE Russell's customers include asset managers (both active and passive), consultants, asset owners, sell-side firms and a range of other users. FTSE Russell is a leading provider of indexes for the global Exchange Traded Fund (ETF) market. At the end of 2015, a total of US\$381 billion was invested globally in ETFs benchmarked to FTSE Russell indexes (2014: US\$369 billion).

The FTSE Russell brand was officially launched during the year with a combined front office model implemented globally. Integration work is on track to deliver the target annual run-rate cost synergies of US\$78 million (£51 million) by end of year 3, and annual run-rate revenue benefits of US\$30 million (£19 million) and US\$48 million (£31 million) by end of year 3 and 5, respectively. The separation of Russell Investment Management will be substantially completed by end Q1 2016.

In July, the combined FTSE Russell confirmed compliance with International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks. The principles aim to promote the reliability of benchmarks addressing issues surrounding governance; the quality of benchmark design and methodology; and the accountability of the benchmark administrator.

Underscoring the Group's open access model, in February, CBOE entered a licensing agreement to develop and list options based on FTSE and Russell indexes. A similar agreement was signed with CME Group in August, allowing them to offer futures on FTSE Russell indexes.

In May 2015, FTSE Russell announced the launch of 2 transitional FTSE Emerging Markets China A Inclusion Indexes, to be used by institutional investors choosing to include China A Shares in their global portfolios, prior to A Shares becoming eligible for inclusion in the widely followed FTSE Global Equities Index Series.

FTSE Russell is a leading provider of smart beta indexes with around US\$140 billion of assets benchmarked. Smart beta sits between active and passive investment and is one of the fastest growing products using benchmarks, growing at a CAGR of 36% over 3 years (source: Morningstar). FTSE Russell are pioneers in smart beta strategies, with indexes dating back to 2005. During the year FTSE Russell launched several smart beta or factor indexes including expansion of the FTSE Russell Global Factor Index Series, a suite of benchmarks designed to achieve controlled exposure to single or multi factor characteristics such as Quality, Value, Momentum, Volatility, Size and Yield. Various combinations of these series were adopted as funds benchmarks, as well as implementations in forms of ETF products. Further, JP Morgan and Invesco PowerShares signed agreements to use FTSE Russell smart beta indices for ETF launches demonstrating the synergies of a combined FTSE Russell.

FTSE TMX Global Debt Capital Markets, a majority owned joint venture, signed a letter of intent with State Bank of India, India's largest bank, to launch a new index FTSE SBI Bond Index tracking Indian fixed income securities. It will be the first FTSE TMX Global Debt Capital Markets product dedicated to Indian fixed income securities and provides a strong platform and strategic alliance to further presence in India. Demand is growing for fixed income indexes, as clients look for alternative indexing options, greater product innovation and transparent pricing from multiple sources. In H1 2016 FTSE Russell plans to launch a new Global Fixed Income Series.

Total revenue for the year for the combined FTSE Russell business increased 77% to £348.9 million (2014: £196.8 million).

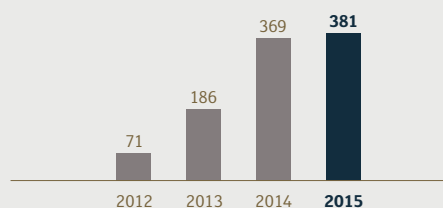
Real Time Data

Our Real Time Data service provides the primary reference data for UK and Italian markets, with real time, tick by tick data used by traders, brokers and fund managers around the globe. Revenue from Real Time Data declined by 2% to £82.2 million (2014: £84.3 million).

Professional terminal usage figures for 2015 was unchanged across the Group with a total of 207,000 terminals (2014: 207,000) with LSE at 75,000 (2014: 76,000) and Italy at 132,000 (2014: 131,000). Redistribution and non-display revenue streams increased as the number of market participants and innovative use of real time data continues to grow. Going forward we will be looking into new opportunities in the real time data landscape and will continue to enhance the content delivery and scope of data, which forms part of our strategy to stabilise and reconfigure the business model for future growth.

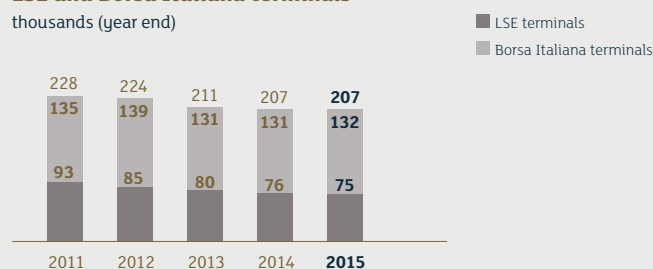
ETF assets under management benchmarked to FTSE Russell Indexes

US\$ bn (year end)



LSE and Borsa Italiana terminals

thousands (year end)



Other Information Services

UnaVista is the Group's hosted platform for all matching, validation and reconciliation needs. It offers a range of business solutions for regulatory reporting, trade confirmations, reconciliations and reference data. In 2015, UnaVista continued to grow its user base with over 3,000 companies from around the world using the platform.

SEDOL is our global, multi-asset class numbering system, providing reference data and unique identification codes for global equity, derivatives and fixed income securities. The SEDOL Masterfile Service database provides clients with access to reference data on over 5 million live securities. In an extension to its duties as a national numbering agency, London Stock Exchange was sponsored by the Financial Conduct Authority (FCA) to be a Local Operating Unit (LOU) for the global allocation of the new Legal Entity Identifier (LEI), which uniquely identifies every legal entity or structure, in any jurisdiction, which is party to a financial transaction. The LEI is mandatory for a number of global regulations and UnaVista's technology is being used to allocate and maintain the codes. Since launch in mid 2013, we have become the third largest LOU globally and have allocated around 40,000 (2014: 24,000) LEIs across 6 continents.

UnaVista signed a number of partnership agreements globally; it was selected by Maroclear, the Moroccan CSD, to provide the technology to implement a trade repository service, becoming the first African CSD to do so. In September, a partnership agreement was signed between UnaVista and The Depository Trust & Clearing Corporation (DTCC) to provide clients access to a MiFIR reporting service through UnaVista's Approved Reporting Mechanism (ARM). This partnership reflects the Group's commitment to open access. This follows an agreement with SIX, which operates the Swiss exchanges and post trade operations, who selected UnaVista as a partner to provide its reporting technology for its Swiss derivative trade repository solution; expected to go live in 2016.

3 awards were won by UnaVista at the 12th Compliance Register Platinum Awards, winning for the second year running the award for "Best Solution Provider – EMIR and Regulatory Reporting", additionally winning "Most Innovative Technology Solution Provider" and "Best Customer Support Team".

Our Regulatory News Service (RNS) in the UK is a leading high-quality service for UK and Italian regulatory news announcements and global press releases. RNS helps companies and their intermediaries to fulfil their regulatory disclosure obligations in the most effective and time-efficient way. During 2015, over 325,000 (2014: 280,000) announcements were processed by RNS, covering the majority of UK company announcements. RNS operates as a Primary Information Provider and is regulated by the FCA.

September saw the sale of Proquote, a UK based market data vendor and retail trading provider, to IRESS. Proquote was seen as a non-core element of the forward looking strategy for the enlarged Information Services division. The financial details of the sale were not disclosed. For more information on the disposal please see financial note 10, on page 118.

Total Other Information Services revenue for calendar year 2015 increased 4% to £86.3 million (2014: £82.6 million).

Technology Services

Revenues

£80.6^m

2014: £66.0m

KEY SUMMARY

- Revenues for the year increased by 22% to £80.6 million (2014: £66.0 million)
- A range of key worldwide technology deliveries and agreements were completed with financial sector firms from Canada, India, Morocco, Peru and South Africa
- Exactpro Systems, the new subsidiary acquired in 2015, specialises in functional and non-functional testing of systems that process wholesale financial products across multiple asset classes
- Shared Service Company launched, providing a range of technology services Group-wide
- LSEG’s internal trading surveillance system has been significantly upgraded in preparation for MiFID II

FURTHER INFORMATION

To aid comparison purposes, revenues and KPIs are all on a 12 month calendar year basis (12 month revenues 2014 unaudited). Market trends and our response for Technology Services can be found on page 12. Profitability of each segment can be found in the Financial Review on page 38. A glossary of terms can be found on pages 150–151.

Introduction

Technology Services provide the Group and customers including banks, specialist trading firms and other capital market venues with resilient, high-speed, low latency trading platforms, post trade platforms, real time market data and infrastructure products and services.

Exchange Technology

Our cash equity and retail bond markets run on the latest version of the Millennium Exchange trading platform. This consistency has helped reduce our cost base and increased the opportunities for customers to benefit from enhanced functionality and further expansion of our co-location services. As a consequence of technology upgrades, we are able to modernise and develop at lower costs.

In January 2016, we launched LSEG Business Services Limited, our Shared Service Company (SSC), providing a range of technology services Group-wide. The principal motivation behind this move is to improve service, resiliency, efficiency and effectiveness. SSC is part of our ongoing process to provide uniformity across all LSEG companies as we grow and expand our activities. It will enable us to support best practice and allow for continuous improvement in our Technology Services.

In 2016, we will continue with the integration of FTSE Russell platforms and commence a multi-year technology transformation at LCH.Clearnet, starting with migration of the cash equity clearing platforms to MillenniumIT technology.

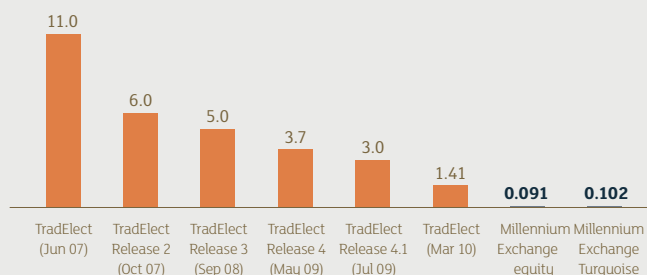
The Group is participating with other leading financial institutions and large technology firms in working groups looking at the opportunities that blockchain may be able to deliver to the Group’s venues and clients. Blockchain is a distributed ledger amongst a network of independent computers, which could facilitate peer to peer exchanges of information, payments or assets. Other areas of potential development include cognitive technologies which could enable systems through analytics and surveillance to detect issues and rectify them without manual intervention.

The acquisition of Exactpro in the year adds to the capabilities of Millennium IT and GATElab to accelerate current and future implementations.

Through our Millennium Exchange technology, our UK cash equity and Turquoise platforms continue to exhibit excellent technical performance. Since September 2015, following a significant hardware upgrade, cash equities round-trip latency on London Stock Exchange, has had an average of 91 microseconds. Turquoise average latency for the year was 102 microseconds. Both platforms were again available for 100% uptime during the year (2014: 100%).

Trading system latency

milliseconds



Our Group Ticker Plant (GTP) project which delivers a high-speed technology platform that provides a single, normalised real time market data protocol for broadcast of market data from across the Group, regardless of asset class, trading platform or geography went live in February 2016.

Monte Titoli and its clients completed the migration onto the TARGET2-Securities (T2S) platform in August. T2S is a centralised settlement platform designed by the European Central Bank (ECB) aiming to provide CSDs across the European Union with a harmonised settlement service.

MillenniumIT

The Group acquired MillenniumIT in 2009. It provides advanced, market leading capital market software solutions as well as enterprise sales and IT infrastructure services to over 40 organisations and exchanges around the world.

A wide range of solutions are offered by MillenniumIT, such as Millennium Exchange, the flagship multi-asset trading platform. All of the Group's cash equity and retail bond markets run on the latest version of Millennium Exchange.

2015 Highlights

- A range of key worldwide technology deliveries and agreements were completed, with financial sectors firms from Canada, India, Morocco, Peru and South Africa, with Argentina planned to follow in early 2016, demonstrating Millennium's increasing global reach
- Aequitas NEO Exchange (Canada) and Bolsa de Valores de Lima (Peru) both were delivered MillenniumIT capital market solutions which have gone live
- Oslo Børs, Norway's national stock exchange, has extended its contract to continue using Millennium's trading platform. The exchange migrated to Millennium in 2012
- LSEG's internal trading surveillance system has been significantly upgraded and will be in accordance with MiFID II regulation ahead of its proposed introduction. Turquoise in December, started to migrate to MillenniumIT Surveillance, as used by London Stock Exchange, and will replace an outsourced system

Looking forward, MillenniumIT will be instrumental in LSEG's strategy to integrate and consolidate LCH.Clearnet's multiple post trade platforms. In 2016, MillenniumIT is working on the go-live of a Post Trade platform for the Singapore Stock Exchange (SGX), and is extending its Order Routing system for Hong Kong Exchanges & Clearing Ltd (HKEX) and trading and surveillance systems for India's National Commodity & Derivatives Exchange (NCDEX).

GATElab

GATElab, our Italian and UK-based technology company, is a provider of trading and post-trading solutions to the global financial community. Fully MiFID compliant, the products and services GATElab offers to buy-side, sell-side and hedge fund partners includes; multi-asset class electronic trading platforms; ultra-low latency pre-trade risk market adapters; smart order routing for equities and bonds; and post trade deal capture and cross-asset margining.

This year, GATElab was named as an accredited software vendor for the Moscow Exchange (MOEX). The high frequency trading gateway module, GATElab hftpath, is now available to all MOEX customers wishing to trade securities, derivatives and foreign exchange on the exchange.

The Group's BTS trading station, a multi-asset and multi-market front end trading and quoting solution, powered by GATElab, in February launched a new connection to Turquoise. BTS now provides a single point of connectivity to the Group's markets, and also allows access to partner market Oslo Børs.

Exactpro

Exactpro Systems was acquired by LSEG in May 2015. Fully owned by LSEG, the new subsidiary specialises in functional and non-functional testing of systems that process wholesale financial products across many asset classes, particularly market infrastructure such as trading systems, risk management, market surveillance, securities data distribution and post-trade infrastructures. These services are offered to exchanges, investment banks, brokers and other financial sector organisations worldwide.

Exactpro Systems increases the capabilities to further improve the efficiency and effectiveness of clients' software while providing an industry-leading support for businesses across the Group.

The Group has had a customer relationship with Exactpro Systems since 2010 and together will build on Exactpro's track record for transparency and reliability.

Global Business Development

Global Business Development (GBD) promotes LSEG's services and solutions to market infrastructures globally, supporting the Group's business divisions to generate new revenues.

During the year, GBD expanded the Group's product suite with both ELITE and UnaVista in Morocco, leveraging on the existing business partnership to support the development and growth of the Moroccan capital market as a regional hub. GBD continues to identify and lay the foundations for new business opportunities across the full exchange business chain with existing and prospective clients.

Our wider responsibility

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

Below, we summarise our approach to Corporate Responsibility (CR) and highlight some of the main developments over the past year. We have also produced a separate detailed 2015 CR report, which can be downloaded at www.lseg.com/about-london-stock-exchange-group/corporate-responsibility.

Our Approach to CR

In December 2015, the Group Board approved an updated Corporate Responsibility Policy. Our CR strategy aims to deliver twin goals which, in turn, underlie our business strategy:

- To play an essential role in sustainable global economic growth
- To ensure our behaviour and actions are consistent with long-term value creation

Our CR strategy is defined by a series of 6 focus areas (shown below) and is executed through 4 established pillars: our markets, our services, our people and our communities. Executive Committee members lead working groups made up of cross-Group colleagues, focused on developing specific targets and action plans in each of the 4 pillars. As part of a materiality assessment, we have applied this framework to direct our CR approach to identify the most relevant and important issues for the Group.

Through the Group's CR focus across 2015, we have seen significant progress in a number of areas. Our external CR ratings have remained in the top quartile when ranked against peers. Further details can be found in our CR report.

CORE FOCUS AREAS

LSEG CR Impact Framework

OUR MARKETS	OUR SERVICES	OUR PEOPLE	OUR COMMUNITIES
1. Change	3. Disclose	5. Develop	6. Sustain
We will help more companies improve the sustainability of their business and the transparency of their reporting	We will provide investors with the information and tools to engage with and invest in sustainable companies	We will employ and invest in the development of a highly diverse global workforce to deliver on our sustainable vision	We will support communities worldwide, helping less advantaged young people develop business skills and taking care of the environment
2. Grow	4. Manage risk		
We will help SMEs raise capital and fund investments to create employment worldwide	We will manage risks and improve efficiency of trading and clearing through our markets		

Environment

As a Group, we are committed to using resources in ways that ensure the long-term sustainability and profitability of the business and have a positive impact on the environment. The Group's primary greenhouse gas ("GHG") emissions arise from energy, waste and water in our offices and data centres around the world, from staff travel, and indirectly from our supply chain.

During the reporting period, we achieved a 14% reduction in our overall Carbon Emissions per FTE, and are making strong progress towards our 2020 targets. This significant reduction is attributed to FTSE employees moving from Canary Wharf to Paternoster Square offices, as well as the inclusion of Russell Indexes operations, which have a low carbon footprint.

We continue to take an active approach to emissions management, with our global Environmental Management Group measuring GHG impacts across our property portfolio, including managed offices where possible. We report beyond the mandatory reporting guidelines to include Scope 3 emissions. Performance is reported quarterly via our Intranet, and annually to the Carbon Disclosure Project, Dow Jones Sustainability Indices, FTSE4Good and on our website: www.lseg.com.

Global 2015 GHG Emissions

(tCO ₂ e – Tonnes of carbon dioxide equivalent)	2015	2014	% Change
Total Group Carbon Footprint	31,777	31,702	0.24%
per m ²	0.388	0.371	4.63%
per FTE	7.17	8.34	-13.99%
per £m Revenue ¹	22.40	24.54	-8.70%
Scope 1 ²	1,173	1,284	-8.64%
Scope 2 ³	22,716	23,362	-2.77%
Scope 3	6,336	5,305	19.43%
Scope 3 (Electricity Transmission and Distribution)	1,552	1,751	-11.36%

1. Revenue excludes Russell Investments, as Russell consumption is also excluded from figures.

2. Combustion of fuel and operation of facilities – includes Natural Gas, Diesel, LPG, Fugitive Emissions and Fleet Vehicles.

3. Purchase of electricity by the Group for its own use (the Group does not purchase heat, steam or cooling).

Note: Total Group Footprint and Scope 2 use market-based Scope 2 emissions factors.

In addition to monitoring our environmental impact, we have set environmental targets for the next financial year that include energy, water, waste and travel. More information on these as well as full details of emissions and reporting methodology can be found in our CR report.

Social People

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

To inform employees of the economic and financial factors affecting our business, regular updates are posted on our intranet and engagement events are hosted, such as "Townhall" style meetings with members of our Executive Committee, providing a briefing on specific areas of the business.

This year, we launched The Learning Exchange, our first Group-wide online platform to support the development of employees. Over 3,000 colleagues have accessed the online learning materials to date.

Diversity/Equal Opportunities

We value diversity as a driver for development and innovation. Our operations span 6 continents, with offices in Australia, Canada, France, Hong Kong, India, Italy, Japan, Russia, Sri Lanka, the UK and the US. We have employees of 55 different nationalities, reflecting both the international scale of our business and the diversity of our customer base. 5 nationalities are represented on our Executive Committee.

In early 2015, we launched the 'Women Inspired Network' (WIN), a Group-wide network aimed at nurturing female talent within all levels of our organisation, developing their careers. WIN has been launched in London, Milan, Paris and New York.

Gender Diversity

	Female	Male
LSEG plc Board	3	11
LSEG Subsidiary Boards ^{1 3}	21	181
Executive Committee and Leadership Teams ^{2 3}	15	65
All other staff	1,741	3,424
Total	1,756	3,489

1. Mix of employees and Non-Executive Directors.
 2. Executive Committee and Leadership Teams in LSEG and LCH.Clearnet.
 3. The LSEG Subsidiary Board members and the Executive Committee and Leadership Teams together comprise the 'Senior Managers' for the purposes of 414C(10)b Companies Act 2006.
- Note: Figures as of year end 31 December 2015.

Human Rights

The Group prides itself on its high standards of social responsibility. We respect and seek to adhere to the UN Guiding Principles on Business and Human Rights, together with the International Labour Organization Conventions and Recommendations within our working environment in each location where we operate. The Group strongly supports these conventions which aim to abolish forced labour and child labour and promote freedom of association and equality. Human rights considerations are also included in our Supplier Code of Conduct and Group Code of Conduct.

Moreover, the Group has a zero-tolerance approach to modern slavery. We are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business.

Community

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

The Group established the London Stock Exchange Group Foundation in 2010 which provides a single channel for the Group's charitable giving and a focal point for staff engagement with local charities. (See the Our Communities section of the Group CR report for further information). Across 2015, LSEG Foundation's approach and positioning was reviewed to further align it with the overall Group CR strategy, while recognising the global reach of LSEG's business model. Work has been completed to incorporate FTSE and LCH.Clearnet's charitable giving programmes onto LSEG Foundation and integrating Russell Indexes as part of FTSE Russell.

For 2015, the Group donated £2,154,000 (including Frank Russell Company's donations). This was a 7% increase compared to the pro-rated amount for 2014. The donations for 2015 are equivalent to £479 per employee (including Russell), 24% higher than the pro-rated benchmark calculated by the London Benchmarking Group, which showed that the average amount donated per employee by leading corporate donors was £387 in 2015.

Governance

We remain committed to the highest standards of corporate governance and business integrity. In the past year, we have complied with all the UK Corporate Governance Code's provisions and the Board will continue to ensure that we adhere to good governance principles and practices. Our approach to good corporate governance is detailed on pages 62–63.

Given the increased size and scope of our businesses, we face a wide and expanding universe of risks. In particular, our presence in post trade services provides direct and indirect exposure to financial market volatility. We also face technology risks such as cyber threats, systems resilience and technological innovation, and political, regulatory and macro-economic risks, which include the impact of our competitors' actions. Pursuing our growth strategy in this dynamic environment requires best-in-class risk management. Our governance and risk management structures have evolved to meet this need (see pages 57 and 44 for further details).

The UN Sustainable Stock Exchange (SSE) Initiative

The SSE Initiative aims to explore how exchanges can work together with investors, regulators and companies to enhance corporate transparency and ultimately performance on ESG issues and to encourage responsible long-term approaches to investment. Currently over 40 exchanges from around the world are partner exchanges to the SSE Initiative. In June 2014, LSEG announced that it would partner with the SSE Initiative. Disclosure levels to which we adhere to as a Group are listed in our CR report.

In September, the London Stock Exchange hosted the launch of the SSE Initiative's Model Guidance on ESG Reporting. This was a product of 9 months of development directed by the SSE Model Guidance Advisory Group which was chaired by the Group's ESG Director at FTSE Russell. The objective of the Model Guidance is to provide exchanges with a globally consistent base to start from as they work to create their own, locally customised, voluntary guidance to help their issuers meet investors' need for ESG information.

Looking Ahead

As our business expands and diversifies, we continue to review our approach to sustainability. For 2016, we have identified objectives in each of our 6 focus areas. These are set out in the Looking Ahead section of our CR report.

Financial review

As a consequence of the Group changing its financial reporting reference date to 31 December, this report shows audited results for the 12 months to 31 December 2015 in comparison to audited results for the 9 months to 31 December 2014. To provide further insight, we also show information with commentary and analysis in comparison with the equivalent 12 months ended 31 December 2014 (unaudited).

CY2015 is the financial year from 1 January 2015 to 31 December 2015 (audited). FY2014 is the financial year from 1 April 2014 to 31 December 2014 (audited). CY2014 is the calendar year from 1 January to 31 December 2014 (unaudited). Commentary on performance uses variances on an organic and constant currency basis, unless otherwise stated. Constant currency is calculated by rebasing 2014 at 2015 foreign exchange rates. Sub-segmentation of revenues are unaudited and are shown to assist understanding performance.

Further disclosure is provided for Cost of sales which comprises data and licence fees, data feed costs, expenses incurred in respect of revenue share arrangements and costs incurred in the MillenniumIT business that are directly attributable to the construction and delivery of customers' goods or services, and any other costs linked and directly incurred to generate revenues and provide services to customers.



David Warren
Group Chief Financial Officer

Highlights

On a statutory comparative basis:

- Total income of £2,381.5 million (FY2014: £1,044.0 million) and total revenue of £2,285.4 million (FY2014: £971.4 million), including a full year's income contribution from Frank Russell Company Investment Management of £955.3 million
- Operating expenses of £1,052.0 million (FY2014: £525.0 million) including a full year's contribution from Frank Russell Company Investment Management of £339.3 million
- Adjusted operating profit of £709.6 million (FY2014: £417.5 million)
- Operating profit of £499.9 million (FY2014: £242.1 million)
- Adjusted basic earnings per share of 129.4 pence (FY2014: 75.6 pence)
- Basic earnings per share of 94.6 pence (FY2014: 37.9 pence)
- Cash generated from operations of £734.1 million (FY2014: £413.4 million)
- Year end operating net debt to adjusted EBITDA at 1.7 times (FY2014: 2.1 times), within the Group's normal target range of 1–2 times

On a 12 month calendar year comparative basis:

- Total income up at £2,381.5 million (CY2014: £1,380.6 million). On an organic constant currency basis, adjusted total income was up 2% with an increase in revenue from the core business segments and broadly flat net treasury income
- Operating expenses up 1% on an organic constant currency basis at £1,052.0 million (CY2014: £702.3 million)
- Adjusted operating profit rose to £709.6 million (CY2014: £558.0 million) due to the inclusion of Frank Russell Company for the full year
- Operating profit up to £499.9 million (CY2014: £346.0 million) with higher adjusted operating profit and lower non-recurring costs
- Adjusted basic earnings per share increased 25% at 129.4 pence (CY2014: 103.3 pence)
- Basic earnings per share increased 67% to 94.6 pence (CY2014: 56.5 pence) as a result of higher earnings and lower non-recurring costs

	12 months ended Dec 2015			9 months ended Dec 2014		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Revenue						
Capital Markets	330.3	–	330.3	249.1	–	249.1
Post Trade Services – CC&G and Monte Titoli	89.8	–	89.8	71.5	–	71.5
Post Trade Services – LCH.Clearnet	302.1	–	302.1	238.7	–	238.7
Information Services ¹	517.4	7.6	525.0	274.0	7.0	281.0
Technology Services	80.6	–	80.6	47.3	–	47.3
Russell Investment Management (gross) ¹	–	953.1	953.1	–	79.7	79.7
Other	4.5	–	4.5	4.1	–	4.1
Total revenue	1,324.7	960.7	2,285.4	884.7	86.7	971.4
Net treasury income through CCP businesses	85.7	–	85.7	69.1	–	69.1
Other income	8.2	2.2	10.4	3.5	–	3.5
Total income	1,418.6	962.9	2,381.5	957.3	86.7	1,044.0
Adjusted total income	1,418.6	962.9	2,381.5	957.2	86.7	1,043.9
Cost of sales	(125.5)	(494.9)	(620.4)	(69.4)	(32.1)	(101.5)
Gross profit	1,293.1	468.0	1,761.1	887.8	54.6	942.4
Operating expenses ²	(708.4)	(343.6)	(1,052.0)	(482.4)	(42.6)	(525.0)
Share of profit after tax of associates	–	0.5	0.5	–	0.1	0.1
Adjusted operating profit²	584.7	124.9	709.6	405.4	12.1	417.5
Operating profit	404.4	95.5	499.9	233.2	8.9	242.1
Adjusted basic earnings per share²	103.4p	26.0p	129.4p	72.9p	2.7p	75.6p
Basic earnings per share	74.8p	19.8p	94.6p	35.9p	2.0p	37.9p

	12 months ended Dec 2015			12 months ended Dec 2014 (unaudited)			Variance %	Variance at organic and constant currency ³ £m
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m		
Revenue								
Capital Markets	330.3	–	330.3	333.2	–	333.2	(1)	3
Post Trade Services – CC&G and Monte Titoli	89.8	–	89.8	96.5	–	96.5	(7)	3
Post Trade Services – LCH.Clearnet	302.1	–	302.1	329.4	–	329.4	(8)	(6)
Information Services ¹	517.4	7.6	525.0	363.7	9.3	373.0	41	5
Technology Services	80.6	–	80.6	66.0	–	66.0	22	20
Russell Investment Management (gross) ¹	–	953.1	953.1	–	79.7	79.7	–	15
Other	4.5	–	4.5	5.4	–	5.4	(17)	(15)
Total revenue	1,324.7	960.7	2,285.4	1,194.2	89.0	1,283.2	78	2
Net treasury income through CCP businesses	85.7	–	85.7	92.6	–	92.6	(7)	(1)
Other income	8.2	2.2	10.4	4.8	–	4.8	117	71
Total income	1,418.6	962.9	2,381.5	1,291.6	89.0	1,380.6	72	2
Adjusted total income	1,418.6	962.9	2,381.5	1,292.1	89.0	1,381.1	72	2
Cost of sales	(125.5)	(494.9)	(620.4)	(88.5)	(32.4)	(120.9)	413	38
Gross profit	1,293.1	468.0	1,761.1	1,203.6	56.6	1,260.2	40	1
Operating expenses ²	(708.4)	(343.6)	(1,052.0)	(658.2)	(44.1)	(702.3)	50	1
Share of profit after tax of associates	–	0.5	0.5	–	0.1	0.1	437	–
Adjusted operating profit²	584.7	124.9	709.6	545.4	12.6	558.0	27	(1)
Operating profit	404.4	95.5	499.9	336.6	9.4	346.0	44	4
Adjusted basic earnings per share²	103.4p	26.0p	129.4p	100.5p	2.8p	103.3p	25	
Basic earnings per share	74.8p	19.8p	94.6p	54.4p	2.1p	56.5p	67	

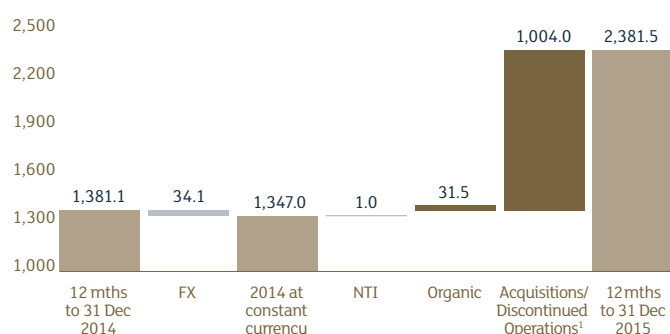
1. Frank Russell Company results consolidated from acquisition in December 2014.
2. Before amortisation and impairment of purchased intangible assets, goodwill and non-recurring items.
3. Organic growth excludes Proquote, MTS Indices, Exactpro and Frank Russell Company.

Financial review continued

Adjusted total income

£ million

● increased ● decreased



1. Acquisitions and Discontinued Operations includes non-comparative income for Proquote, MTS Indices, Exactpro and Frank Russell Company.

Capital Markets

	12 months ended Dec 2015 £m	9 months ended Dec 2014 £m
Revenue		
Primary Markets	88.8	68.2
Secondary Markets Equities	143.7	102.9
Secondary Markets – Fixed Income, Derivatives and other	97.8	78.0
Total revenue	330.3	249.1
Cost of sales	(15.1)	(10.9)
Gross profit	315.2	238.2
Operating expenses	(144.3)	(113.0)
Operating profit	170.9	125.2

Capital Markets

	12 months ended Dec 2015 £m	12 months ended Dec 2014 (unaudited) £m	Variance %	Variance at organic and constant currency ³ %
Revenue				
Primary Markets	88.8	88.8	(0)	2
Secondary Markets Equities	143.7	139.2	3	6
Secondary Markets – Fixed Income, Derivatives and other	97.8	105.2	(7)	1
Total revenue	330.3	333.2	(1)	3
Cost of sales	(15.1)	(14.3)	6	5
Gross profit	315.2	318.9	(1)	3
Operating expenses	(144.3)	(156.1)	(8)	
Operating profit	170.9	162.8	5	

Capital Markets revenue, which mainly comprises Primary and Secondary Market activities, was £330.3 million (FY2014: £249.1 million).

On a 12 month calendar year comparative basis:

Capital Markets revenues increased by 3% as Main Market issuance activity remained strong despite a reduction in AIM issuance. Primary Markets revenue rose 2%. Continued strong equity and fixed income trading volumes and value traded resulted in a 6% revenue increase in Secondary Markets.

In Primary Markets, the total amount of capital raised across our markets, both through new and further issues, decreased 2% to £41.7 billion (CY2014: £42.6 billion). New issues for the UK Main Market increased whilst there was a decline in UK AIM listings. In total there were 88 issues on our UK Main Market (CY2014: 75), 27 in Italy (CY2014: 26) whilst there were 61 on AIM (CY2014: 118). Looking ahead, the pipeline of companies looking to join our markets remains good despite volatility in Q1.

In Secondary Markets, Italian equity trading volumes increased 6% due to market volatility to 280,000 trades per day (CY2014: 264,000). In the UK, average order book daily value traded rose 7% at £4.9 billion (CY2014: £4.6 billion). Trading on Turquoise, our pan-European equities platform, delivered a 16% rise in average daily equity value traded, to €4.3 billion (CY2014: €3.7 billion).

Fixed income and Derivatives revenue rose by 1%, reflecting growth from MTS Repo (volumes up 19%) offset by Cash and BondVision (down 2%). Derivatives revenues were broadly flat with growth in Italian derivatives trading being offset by continued low levels of Russian contracts.

Cost of sales rose 5% to £15.1 million (CY2014: £14.3 million) on strong Turquoise revenues with gross profit up 3%. Actual operating expenses were down 8% on a year on year basis to £144.3 million (CY2014: £156.1 million) with operating profit up 5% to £170.9 million (CY2014: £162.8 million).

Post Trade Services – CC&G and Monte Titoli

	12 months ended Dec 2015 £m	9 months ended Dec 2014 £m
Revenue		
Clearing (CC&G)	38.0	27.8
Settlement (Monte Titoli)	51.8	43.7
Total revenue	89.8	71.5
Net treasury income	29.3	23.2
Inter-segmental income	0.9	0.9
Total income	120.0	95.6
Cost of sales	(6.7)	(3.1)
Gross profit	113.3	92.5
Operating expenses	(61.5)	(45.4)
Operating profit	51.8	47.1

Post Trade Services – CC&G and Monte Titoli

	12 months ended Dec 2015 £m	12 months ended Dec 2014 (unaudited) £m	Variance %	Variance at organic and constant currency %
Revenue				
Clearing (CC&G)	38.0	38.2	(1)	10
Settlement (Monte Titoli)	51.8	58.3	(11)	(1)
Total revenue	89.8	96.5	(7)	3
Net treasury income	29.3	32.6	(10)	(0)
Inter-segmental income	0.9	1.1	(18)	–
Total income	120.0	130.2	(8)	3
Cost of sales	(6.7)	(4.2)	60	80
Gross profit	113.3	126.0	(10)	1
Operating expenses	(61.5)	(63.1)	(3)	
Operating profit	51.8	62.9	(18)	

Post Trade Services income, which comprises of clearing (CC&G), settlement and custody activities (both Monte Titoli), was £119.1 million excluding inter-segmental income (FY2014: £94.7 million).

On a 12 month calendar year comparative basis:

Clearing revenues rose 10% reflecting the growth in Italian equities, derivatives and fixed income trading. Settlement revenues decreased 1% following a 7% decline in settlement instructions.

In the Monte Titoli CSD business, revenues decreased by 1%, in line with the decrease in the average value of assets under custody.

CC&G generates net treasury income by investing the cash margin held, retaining any surplus or deficit after members are paid a return on their cash collateral contributions. Net treasury income was flat with CY2014 benefitting from extraordinary gains of £9.0 million on the sale of long dated securities whilst rebalancing its portfolio offset by more favourable margins and spreads driving income in CY2015. The average daily initial margin rose 24% to €12.3 billion (CY2014: €9.9 billion).

Cost of sales rose 80% to £6.7 million as a result of the launch of Monte Titoli on the T2S settlement system with gross profit up 1%. Actual operating expenses were 3% lower with an 18% decrease in operating profit to £51.8 million (CY2014: £62.9 million) on a year on year basis.

Post Trade Services – LCH.Clearnet

	12 months ended Dec 2015 £m	9 months ended Dec 2014 £m
Revenue		
OTC	156.8	105.1
Non-OTC	114.5	115.2
Other	30.8	18.4
Total revenue	302.1	238.7
Net treasury income	56.4	45.9
Other income	2.2	0.1
Total income	360.7	284.7
Adjusted total income¹	360.7	284.6
Cost of sales	(28.3)	(10.7)
Gross profit	332.4	274.0
Operating expenses	(241.5)	(192.6)
Operating profit	90.9	81.4

Post Trade Services – LCH.Clearnet

	12 months ended Dec 2015 £m	12 months ended Dec 2014 (unaudited) £m	Variance %	Variance at organic and constant currency ³ %
Revenue				
OTC	156.8	138.2	13	15
Non-OTC	114.5	159.8	(28)	(24)
Other	30.8	31.4	(2)	(3)
Total revenue	302.1	329.4	(8)	(6)
Net treasury income	56.4	60.0	(6)	(2)
Other income	2.2	(0.5)	–	–
Total income	360.7	388.9	(7)	(4)
Adjusted total income¹	360.7	389.4	(7)	(4)
Cost of sales	(28.3)	(10.7)	164	193
Gross profit	332.4	378.2	(12)	(7)
Operating expenses	(241.5)	(264.3)	(9)	
Operating profit	90.9	113.9	(20)	

1. Unrealised gains and losses in Other income excluded from adjusted total income in 2014.

Post Trade Services – LCH.Clearnet segment comprises the Group's majority owned global clearing business. Total income was £360.7 million (FY2014: £284.7 million).

On a 12 month calendar year comparative basis:

OTC revenue of £156.8 million grew by 15% driven by continued strong growth in SwapClear, predominantly in client clearing with trades increasing 67% to 678,000 (CY2014: 407,000). In 2015 SwapClear membership increased to 116 (CY2014: 114).

Non-OTC revenue was down to £114.5 million (CY2014: £159.8 million), with revenue up 1% excluding the loss of LME commodities clearing in September 2014. Growth was driven by strong cash equities trading volumes partly due to the increased attractiveness of netting.

Other revenue was down 3% to £30.8 million, with an increase in revenue sharing being partially offset by growth in non cash collateral fees and SwapClear compression fees, with a reduction of US\$111 trillion of net notional eliminated across the year (CY2014: US\$64 trillion) increasing market efficiency and reducing client exposures.

Net treasury income of £56.4 million was 2% down (CY2014: £60.0 million) reflecting the impact of lower interest rates, offset by a 2% increase in average cash collateral to €56.9 billion driven by SwapClear growth.

Cost of sales was up to £28.3m (CY2014: £10.7 million) as a result of the growth in SwapClear and the associated share of surplus, plus increased data usage costs. Gross profit was 7% lower. Actual operating costs decreased 9% to £241.5 million on a year on year basis (CY2014: £264.3 million). Operating profit decreased 20% on a year on year basis to £90.9m (CY2014: £113.9 million).

Information Services (Continuing Operations)

	12 months ended Dec 2015 £m	9 months ended Dec 2014 £m
Revenue		
FTSE Russell Indexes	348.9	150.7
Real time data	82.2	61.0
Other information services	86.3	62.3
Total revenue	517.4	274.0
Cost of sales	(45.4)	(26.1)
Gross profit	472.0	247.9
Operating expenses	(201.4)	(105.2)
Operating profit	270.6	142.7

Information Services (Continuing Operations)

	12 months ended Dec 2015 £m	12 months ended Dec 2014 (unaudited) £m	Variance %	Variance at organic and constant currency ³ %
Revenue				
FTSE Russell Indexes	348.9	196.8	77	7
Real Time Data	82.2	84.3	(2)	(0)
Other Information Services	86.3	82.6	4	5
Total revenue	517.4	363.7	42	5
Cost of sales	(45.4)	(35.0)	30	31
Gross profit	472.0	328.7	44	5
Operating expenses	(201.4)	(141.4)	42	
Operating profit	270.6	187.3	44	

Information Services provides global indices products, real time pricing data, product identification reporting and reconciliation services. Information Services revenue was £517.4 million (FY2014: £274.0 million).

Financial review continued

On a 12 month calendar year comparative basis:

FTSE Russell's revenue increased to £348.9 million (CY2014: £196.8 million) driven by FTSE growth and a full year's contribution from Russell Indexes. Organic and constant currency growth was 7%, with growth across all FTSE revenue lines but primarily in new data sales, funds and derivatives licensing.

Real time data revenue was flat year on year with the number of terminals unchanged at 207,000.

Other Information Services revenues rose 5% to £86.3 million, mainly as a result of continued growth of both UnaVista, driven by EMIR trade repository growth, and SEDOL from continued licence growth.

Cost of sales rose 31% reflecting continued revenue growth in benchmark related products, as well as increased data charges and partnership costs with gross profit rising 5%. Actual operating expenses of £201.4 million (CY2014: £141.4 million) were up 42% on a year on year basis whilst operating profit rose 44% to £270.6 million (CY2014: £187.3 million), both driven largely by FTSE Russell Indexes.

Technology Services

	12 months ended Dec 2015 £m	9 months ended Dec 2014 £m
Revenue	80.6	47.3
Inter-segmental revenue	12.9	7.1
Total income	93.5	54.4
Cost of sales	(28.3)	(15.6)
Gross profit	65.2	38.8
Operating expenses	(58.8)	(34.2)
Operating profit	6.4	4.6

Technology Services

	12 months ended Dec 2015 £m	12 months ended Dec 2014 (unaudited) £m	Variance %	Variance at organic and constant currency ³ %
Revenue	80.6	66.0	22	20
Inter-segmental revenue	12.9	10.1	28	–
Total income	93.5	76.1	23	23
Cost of sales	(28.3)	(20.8)	36	35
Gross profit	65.2	55.3	18	13
Operating expenses	(58.8)	(43.3)	36	–
Operating profit	6.4	12.0	(47)	–

Technology Services comprises technology connections and data centre services, along with the MillenniumIT business, based in Sri Lanka, which provides technology and enterprise services for the Group and third parties. Revenues for Technology Services were £80.6 million (FY2014: £47.3 million).

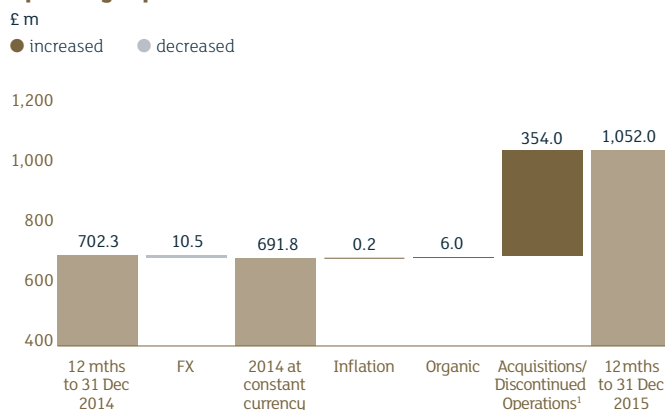
On a 12 month calendar year comparative basis:

Third party revenue increased by 20% to £80.6 million (CY2014: £66.0 million) driven by growth in MillenniumIT.

Cost of sales increased 35% in line with strong MillenniumIT performance resulting in a 13% increase in gross profit. Actual operating expenses were up 36% to £58.8 million (CY2014: £43.3 million) driven by the acquisition of Exactpro and continued Group technology investment. Operating profit was down 47% to £6.4 million (CY2014: £12.0 million) as a result.

Group operating expenses before amortisation and impairment of purchased intangible assets and goodwill were £1,052.0 million (FY2014: £525.0 million).

Operating expenses



1. Acquisitions and Discontinued Operations includes non-comparative income for Proquote, Bonds.com, Exactpro and Frank Russell Company.

On a 12 month calendar year comparative basis:

Operating expenses before non-recurring and amortisation and impairment of purchased intangible assets and non-recurring items were £1,052.0 million (CY2014: £702.3 million), the increase mainly reflecting inclusion of £351.9 million relating to a full year contribution of Frank Russell Company.

Operating expenses increased 1% on an organic, constant currency and inflation adjusted basis reflecting good control of core cost while we invest in growth initiatives. The Group's operating expenses, including depreciation, are expected to rise slightly in the next year as we continue investment in a number of products and services that will drive further growth and efficiencies in the years ahead.

Non-Recurring Items and Purchased Intangible Assets

Non-recurring costs totalled £209.7m with an increase in amortisation of purchased intangible assets to £156.7 million (CY2014: £92.6 million). Additional charges included £52.1 million of restructuring costs and £21.4 million of transaction costs partially offset by a gain of £19.9 million on disposal of Proquote.

Discontinued Operations

Discontinued operations principally comprises of the Russell Investment Management business and contributed adjusted operating profit of £124.9 million to the Group. On 8 October 2015, LSEG announced it has agreed the sale of the Frank Russell Company Investment Management business. The gain on the sale of the business will be liable for tax. The Proquote business was sold in October 2015.

Finance income and expense and taxation

On a 12 month calendar basis, net finance costs were £66.2 million, down £1.9 million on the prior year.

The Group effective tax rate (ETR) on underlying operations was 24.9% (FY2014: 25.6%). Included in the ETR for the year was the impact of finalising prior year tax returns. Removing this prior year impact would give an underlying ETR of 25.6% in line with the previous year. Within this there were a number of offsetting factors relating to the mix of profits from different countries and a reduction in the UK corporate tax rate.

Cash flow and balance sheet

The Group's business continued to be strongly cash generative during the year, with cash generated from continuing operations of £734.1 million. Total investment in the year was £86.0 million principally due to £117.3 million of capital expenditure offset by £21.8 million from the sale of the Proquote and Fix Gateway business.

At 31 December 2015, the Group had net assets of £3,196.1 million (FY2014: £2,955.3 million). The central counterparty clearing business assets and liabilities within LCH.Clearnet and CC&G largely offset each other but are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties.

Net debt

Year ended 31 December	2015 £m	2014 £m
Gross borrowings	1,608.9	1,726.4
Cash and cash equivalents	(1,176.4)	(1,127.2)
Net derivative financial assets	(47.9)	(23.1)
Net debt	384.6	576.1
Regulatory and operational cash	888.1	1,011.3
Operating net debt	1,272.7	1,587.4

At 31 December 2015, the Group had operating net debt of £1,272.7 million after setting aside £888.1 million of cash and cash equivalents held to support regulatory and operational requirements, including cash and cash equivalents set aside by Frank Russell Company mainly to support its investment management activities and regulated cash and cash equivalents at LCH.Clearnet Group together with further amounts covering requirements at other LSEG companies.

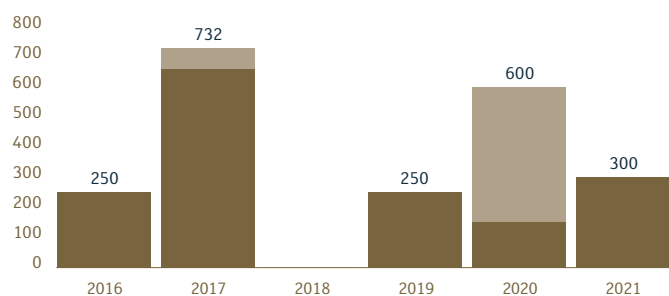
The Group's gross borrowings decreased by £117.5 million during the 12 months to 31 December 2015 with free cash generated by the Group during the year (after capex, taxes, interest and dividends), applied to reduce short dated bank borrowings.

In November 2015, the Group signed a new £600 million unsecured, revolving, syndicated bank facility, to refinance existing facilities, taking advantage of favourable market conditions to extend the maturity profile of its debt on improved terms and provide comfortable headroom for the medium term. The new facility is committed for 5 years providing the Group with financial flexibility through to 2020. At 31 December 2015, the Group had debt and committed credit lines totalling £2,147.4 million, with maturities extending from July 2016 out to 2021. With over £500 million of undrawn bank lines available, together with strong cash generation and improving credit metrics (described below), the Group continues to be well positioned to fund future growth, with scope for further refinancing in 2016 to underpin its longer term debt capital.

Debt maturity profile

£ m

● drawn ● undrawn



The Group's interest cover (the coverage of net finance expense by earnings before interest, taxation, depreciation and amortisation, both before non-recurring items) increased to 11.7 times (31 December 2014: 9.4 times) in the 12 months to 31 December 2015, driven primarily by higher levels of EBITDA (including a full 12 month contribution from the investment management arm of Frank Russell) very comfortably covering a borrowings mix of relatively low cost drawn bank facilities and legacy bond debt. The Group's organic cash generation remained strong with leverage (operating net debt to adjusted EBITDA) reducing to 1.7 times at 31 December 2015 (31 December 2014: 2.1 times). This is back within the Group's target range and should benefit further from the anticipated disposal of the investment management business of Frank Russell Company planned for the first half of 2016.

The Group's long-term credit ratings with both Moody's and S&P improved during the year, reflecting the Group's progress with deleveraging to date following the Frank Russell acquisition in late 2014. In June 2015, Moody's upgraded LSEG from Baa2 to Baa1 and changed its outlook from negative to stable. S&P also changed its outlook from negative to stable in November 2015, although held its rating at BBB+. For LCH.Clearnet, S&P affirmed its A+ long term rating with a stable outlook, with the only uncertainty during the year driven purely by the linkage between its rating and the rating of LSEG.

Foreign exchange

	2015	2014
Spot £/€ rate as 31 December	1.36	1.28
Spot £/\$ rate as 31 December	1.47	1.56
Average £/€ rate for the year	1.38	1.25
Average £/\$ rate for the year	1.53	1.65

The Group's principal foreign exchange exposure arises as a result of translating its foreign currency earnings, assets and liabilities into LSEG's reporting currency of sterling. For the 12 months to 31 December 2015, for continuing operations, the main exposures for the Group were its European based euro reporting businesses and its US based operations, principally FTSE Russell. A 10 euro cent movement in the average £/€ rate for the year and a 10 cent movement in the average £/\$ rate for the year would have changed the Group's continuing operating profit for the year before amortisation of purchased intangible assets and non-recurring items by approximately £18 million and £14 million, respectively.

The Group continues to manage its translation risk exposure by matching the currency of its debt (including debt effectively swapped from sterling into currency) to the currency of its earnings, where possible, to ensure its key financial ratios are protected from material foreign exchange rate volatility. The debt funded element of the acquisition of the Frank Russell Company was US dollar denominated and this should reduce broadly in line with the Group's US dollar net investment following the anticipated completion of the sale of the investment management arm of Frank Russell.

Earnings per share

The Group recorded an adjusted basic earnings per share, which excludes amortisation and impairment of purchased intangible assets and goodwill, non-recurring items and unrealisable gains/losses on investments, of 129.4 pence which was up 25% on a 12 month comparative basis. Basic earnings per share were 94.6 pence, an increase of 67% on a 12 month comparative basis (CY2014: 56.5 pence) as a result of higher adjusted operating profit and lower transaction related costs.

Dividend and Capital Management Policy

The Board is proposing a final dividend of 25.2 pence per share, which results in an implied 20% increase in the total dividend to 36.0 pence per share (pro-rating the 22.5 pence dividend for the prior comparative 9 month period). The final dividend will be paid on 1 June 2016 to shareholders on the register as at 6 May 2016.

The Board has reviewed the dividend policy in the context of its broader capital management approach. The Group's capital management framework takes account of our balance sheet position, investment for growth and capital distribution to shareholders both through the ordinary dividend policy and other possible returns. The Group aims to operate within a target leverage range of 1–2 times net debt: EBITDA, which applies suitable prudence while maintaining the flexibility to invest for growth through both organic and inorganic opportunities, although it may move outside of this target if significant and attractive strategic opportunities arise. The Group remains committed to a progressive ordinary dividend policy and expects to move towards a 2.5–3.0x dividend cover range. The interim dividend will be calculated as one-third of the prior full year dividend. One-off returns will be reviewed if the Group expects to hold surplus cash for a prolonged period.

Risk Management oversight

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

LSEG's Risk Culture

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

Our management culture embeds risk awareness, transparency and accountability. A strong emphasis is placed on the timely identification and reporting of risk exposures and in the strategic analysis of prevailing or anticipated risks. The responsibility for identifying and managing risks rests with management and with the Executive Committee, with independent oversight from our Risk Management Team. Our risk culture is one of our most fundamental tools for effective Risk Management. Our behaviour framework feeds into the criteria that we use to assess the effectiveness of our risk culture and the communication, escalation and use of risk analysis to make strategic decisions.

Strategic Risk Objectives

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

- **Maintaining a risk aware culture throughout the Group:** the Risk Management Framework is embedded within divisions and functions
- **Maintaining stable earnings growth:** the strategic growth of the business is delivered in a controlled manner with long-term value enhancement and low volatility of underlying profitability
- **Maintaining capital requirements:** the Group has sufficient capital resources to meet regulatory requirements, to cover unexpected losses and to meet the Group's strategic ambitions
- **Maintaining liquidity:** the Group retains or has adequate access to funding to meet its obligations, taking into account the availability of funds
- **Adhering to regulatory requirements:** the Group conducts activities at all times in full compliance with its regulatory obligations

- **Maintaining operational stability by facilitating orderly market operations:** the Group's operations are delivered in a secure and efficient manner without disruption
- **Maintaining stakeholder confidence:** the Group's stakeholders have confidence in its ability to deliver its strategic objectives with robust and effective governance and operational controls

Group Risk Appetite

LSEG's Risk Appetite is defined as the level of risk that the Group will accept in pursuit of its strategic objectives. The Group Risk Appetite Statement, proposed by the Executive Committee, is approved by the Board at least annually and is determined in conjunction with the Group's strategy and aligned to the Strategic Risk Objectives. The Group has 4 subsidiaries that operate Central Counterparty Clearing Houses (CCPs). The components of Risk Appetite that relate to CCPs are also approved by the Boards of each CCP within the Group, in compliance with EMIR and other applicable regulations.

In 2015, LSEG refreshed its Risk Appetite by reconfirming our focus on risk culture by increasing the number of indicators to be monitored; better defining the scope of stakeholder confidence risk; and strengthening the treatment of counterparty concentration risk, reflecting the continuing enhancement of our Group risk oversight toolkit.

The Group Risk Appetite is cascaded down to each business unit so that operational limits can be derived. Regular reporting at both Group and Business Unit (BU) levels uses Risk Appetite as a benchmark that can then be incorporated into the Group Risk Policy Framework.

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

3 Lines of Defence

LSEG's risk control structure is based on the '3 lines of defence' model:

- The First line (Management) is responsible and accountable for identifying, assessing and managing risk
- The Second line (Risk Management and Compliance) is responsible for defining the Risk Management process and policy framework, providing challenge to the first line on Risk Management activities, assessing risks and reporting to the Group Board Committees on risk exposure
- The Third line (Internal Audit) provides independent assurance to the Board and other key stakeholders over the effectiveness of the systems of controls and the Enterprise Risk Management Framework (ERMF)

Overall Risk Assessment

Key risk categories include strategic, operational, and financial risks. We recognise that each of these risks, if not properly managed and/or mitigated could have an impact on the Group and on its subsidiaries' reputation.

Our approach to managing risks includes a bottom up and a top down approach. Key external and internal factors are stress tested across our Group operations to assess the potential impact on the financial results, strategic plans and operational resilience.



Current risks on which we continue to focus relate to:

- **Global Economy:** Our acquisition of Russell Indexes to create FTSE Russell accelerates our geographic expansion in the US, the world’s largest financial services market. While this enhances the Group’s global profile, it also increases exposure to systemic risks inherent in running a truly international business
- **Europe:** Continuing uncertainty in the outlook for Europe introduces the potential for unexpected outcomes and may impact investors’ confidence
- **Regulatory Change:** The introduction of new regulations including MiFIR will affect the operations of the Group as well as those of our users and customers. There will be a sizeable implementation impact as a result of the incoming regulation and increased regulatory risk
- **Liquidity:** The repo market has been adversely affected by banks contracting their balance sheets in response to forthcoming leverage restrictions. This has impacted CCPs who use secured investments, such as reverse repos, as mandated under EMIR, to maintain sufficient ongoing liquidity and immediate access to funds
- **Security:** The security of systems and premises represents a key global emerging risk

The Group has an ongoing programme of development and enhancement of its Enterprise Risk Management Framework (ERMF). The ERMF metrics and indicators include stress testing used to monitor risks against risk appetite to respond to emerging or expected risks.

As we look ahead, 2016 will bring the twin challenges of a rapidly growing business and accelerated regulatory change against a backdrop of heightened volatility in the markets that we serve.

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



CCP Risk Management and Oversight

Each of the Group’s CCPs complies with the appropriate regulatory requirements. Consequently, they each manage their risk under the governance of their Board of Directors and of their internal Risk Management structure. The Group monitors the CCPs aggregated risks positions by using tools that measure the overall exposure to counterparty, credit and liquidity risks. It uses a bottom up approach for the monitoring of operational risks.

In 2015, LSEG’s Group risk oversight toolkit was expanded to cover additional clearing services and also non-clearing counterparty risk across the Group. This model consolidates the underlying risk by CCP members across their services with liquidity management balances and other Group Treasury activity, enabling LSEG to assess aggregate counterparty risks. During 2015 we enhanced the model to provide stress testing capabilities on our biggest CCP clearing positions.

The Group’s CCPs are managed in accordance with our ERMF, which includes a focused CCP Financial Risk Policy. This promotes consistency in the oversight of our clearing risks while protecting the independence of the CCPs’ Risk Management processes as required by relevant regulation.

The Principles for Financial Market Infrastructures (PFMI) produced by CPMI-IOSCO provide the minimum Risk Management standards that a CCP should apply; however, LSEG CCPs apply more stringent standards where it is felt appropriate.

As well as being managed by the CCP’s own independent processes, CCPs risks are reported to and overseen by the Executive Committee and the Board Risk Committee.

Stress Testing Capabilities and Viability Statement

In 2015, LSEG’s Group-wide financial stress testing process was expanded and enhanced. It is now fully embedded in the Group’s Risk Appetite Statements and the Group’s internal planning and budgeting cycles.




The Group’s viability statement is underpinned by this stress testing process. Under this process, a set of severe but plausible scenarios appropriate to the business of the Group and reflecting our principal risks was defined by Management, and the financial impact of each on the Group was quantified.

A 3 year horizon was used for LSEG’s financial viability statement, consistent with the Group’s strategic planning cycle. The scenario impacts were evaluated on the Group’s key financial metrics: liquidity headroom; leverage; interest cover and regulatory capital headroom.

In addition, a set of compounded stresses was evaluated to provide further confidence on the ongoing financial viability of the Group even under very highly stressed environments. The process and final output of the stress tests was reviewed by Management and by the Board and Audit Committee. They also reviewed and discussed ‘reverse’ stress testing, which was performed to assess what would be required to breach the Group’s covenants.

The Directors’ financial viability statement is contained in the Directors’ Report on page 90.

Principal risks and uncertainties

OVERVIEW OF PRINCIPAL RISKS:		
Strategic Risks	Financial Risks	Operational Risks
Global economy Regulatory change Competition Compliance Transformation Reputation/Brand	Market risk Liquidity risk (clearing) Settlement and custodial risks (clearing) Capital risk	Technology Change management Investment Management (operations) Investment Management (consulting) Security threats Employees
KEY:  Risk Level Increasing  Risk Level Static  Risk Level Decreasing		

STRATEGIC RISKS

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

RISK DESCRIPTION	MITIGATION	RISK LEVEL
<p>Global economy</p> <p>As a diversified markets infrastructure business, we operate in a broad range of equity, bond and derivative markets servicing clients who increasingly seek global products and solutions. If the global economy underperforms, lower activity in our markets may lead to lower fee revenue.</p> <p>The improving economic environment in the UK has had a positive impact on the Group's business, and has increased the activity on our Primary Markets. Stronger economic data from the US has resulted in the first rate hike by the Fed in a decade and there is potential for further rate increases next year, indicating potential for a more upbeat 2016 outlook. There is, however, currently considerable uncertainty in economic outlook and apparent growth could fail to materialise.</p> <p>The outlook for the Eurozone improved somewhat towards the end of 2015, although growth remains fragile and deflationary headwinds still pose a risk to recovery and uncertainty over the future direction of Europe could also impact our European businesses. The UK referendum on the future of EU membership could add uncertainty in markets. This could increase the level of market volatility with unpredictable impact on our business.</p> <p>As the number of possible scenarios facing the Group in the event of a decision to leave following the referendum, is impossible to model today, we will closely monitor the situation and ensure proper and timely analysis of the ramification of such a decision.</p> <p>Ongoing geopolitical tensions continue to add uncertainty in the markets and may impact investors' confidence.</p>	<p>The widening geographical footprint of the Group has improved the geographical diversification of the Group's income streams. The Group mitigates the FX translation exposure created by ownership of overseas businesses by matching, to the extent possible, the currency of the Group's debt to the currency of its income streams. This is supplemented by a programme of active hedging using derivative instruments. Material foreign currency transactions relate mainly to M&A and dividend related payments and are hedged as required by Policy.</p> <p>The Group performs regular analyses to monitor the markets and the potential impacts on the business. Activities include Key Risk Indicator tracking, stress testing, and hedging. We also monitor very closely the ongoing developments surrounding the UK referendum.</p> <p>The Financial Risk Committee closely monitors and analyses multiple market stress scenarios and action plans in order to minimise any impacts stemming from a potential deterioration of the macroeconomic environment. The Group is well positioned to respond to variations in client demand as a result of the outcome of the referendum.</p> <p>Group Treasury risk is monitored daily, is managed within the constraints of a Board approved policy by the Group Treasury team, and is overseen by the Group Treasury Committee (a sub-Committee of the Financial Risk Committee chaired by the CFO). An update on Group Treasury risks and actions is provided monthly to the Financial Risk Committee and to each Board Risk Committee.</p> <p>The Group has appropriate contingency plans in place to ensure key operations are resilient. Business Continuity Management (BCM) and crisis management procedures would be invoked to manage the response to an unexpected event.</p>	▲

For more information, see Market trends and our response, pages 12–15, and Note 2 to the accounts: Financial Risk Management on pages 108–112.

RISK DESCRIPTION	MITIGATION	RISK LEVEL
<p>Regulatory change</p> <p>The Group and its exchanges, other trading venues, clearing houses, index administrators, central securities depositories, trade repository and other regulated entities operate in areas that are highly regulated by governmental, competition and other regulatory bodies at European federal and national levels.</p> <p>There is a range of measures which may impact our business directly or indirectly including MiFID/MiFIR, EMIR, third country recognition, CSDR, the Benchmark Regulation, SFTR and BRRD. In addition, the European Commission published its Capital Markets Union Action Plan in September 2015, including proposals to amend the Prospectus Directive. Revisions are designed to make it easier for companies to raise capital through the EU and lower associated costs. Regarding MiFID and MiFIR, the rule-making work for secondary legislation is expected to complete in 2016. Rule makers began discussing the possibility of a 1-year delay to implementation from 3 January 2017, although the terms of a delay were not agreed by the end of 2015. Implementation delay could impact revenue opportunities for the Group.</p> <p>Negotiations also continue on a possible Financial Transaction Tax (FTT). During 2015, it again proved difficult for participating Member States to reach agreement, and the proposed implementation of 1 January 2016 did not come to fruition. Negotiations are still pending however a FTT could adversely impact volumes in financial markets.</p> <p>In 2016, the European Commission is planning to propose a framework for recovery and resolution of CCPs. This work will be conducted in parallel with the development of international standards from CPMI-IOSCO. This year, the European Commission is also expected to confirm the areas of EMIR that will be modified as part of the official review of the regulation. The Basel III rules on capital requirements for banks' exposure to CCPs and BCBS leverage ratio need to be adjusted to mitigate any impact on our CCP clearing volumes, with implications for the Group's revenues.</p> <p>During 2016, secondary legislation setting out CSD requirements is expected to come into force. CSDs will be required to apply for reauthorisation under the new CSDR regime within 6 months after entering into force of this secondary legislation. ESMA delayed publishing draft secondary legislation containing the rules on settlement discipline during 2015. Industry responses to the 2015 consultation requested a delay to the implementation of these rules, and the ESMA rule proposal is expected to include a transitional period of 18 to 24 months following the entry into force of the relevant secondary rules however this uncertainty adds to regulatory risk.</p>	<p>Changes in the regulatory environment form a key input into our strategic planning, including the impact on our growth strategies, both organic and inorganic. We monitor regulatory developments continually and engage directly with regulatory and governmental authorities at national, EU and international levels.</p> <p>We continue to develop our relationships with the key political stakeholders, particularly at EU and national level. Potential impacts from regulatory change are assessed and, depending on the impact, opportunities are developed and mitigating strategies and actions are planned.</p> <p>As the various regulatory initiatives progress, there will be greater certainty about their likely final form. The Group continues to focus on remaining well positioned to respond to regulatory developments and further opportunities exist for the Group to deliver solutions to help the market address the changing regulatory environment.</p> <p>The Group's CCPs are actively engaged in the public debate on CCP capitalisation, the appropriate level of "skin-in-the game" in the risk waterfall, general access and management of liquidity, the implications of capital requirements on clearing members and level playing field when deeming third country CCPs equivalent.</p>	▲
<p>For more information on regulatory changes see Market trends and our response on pages 12–15.</p>		
<p>Competition</p> <p>We operate in a highly competitive industry. Continued consolidation has fuelled competition including between groups in different geographical areas.</p> <p>In our Capital Markets operations, there is a risk that competitors will improve their products, pricing and technology in a way that erodes our businesses. There is increasing competition for primary listings and capital raises from other global exchanges and regional centres.</p> <p>In Post Trade Services, competition will continue to intensify as we see a shift towards open access and interoperability of CCPs and legislative requirements for mandatory clearing of certain OTC derivative products. While this may create new business opportunities for the Group, competitors may respond more quickly to changing market conditions or develop products that are preferred by customers.</p> <p>The Group's Information Services business faces competition from a variety of sources, notably from other venues that offer market data relating to securities that are traded on the Group's equity markets, as well as from index providers which offer indices and other benchmarking tools which compete with those offered by the Group. Furthermore, if the Group's share of equity trading on its exchanges were to come under pressure, the Group's market data offering might be seen by current and prospective customers as being less valuable, which may adversely affect the Group's business, financial condition and operating results.</p> <p>In Technology Services, there is intense competition across all activities and there are strong incumbents in some of our growth areas.</p>	<p>Competitive markets are, by their very nature, dynamic, and the effects of competitor activity can never be fully mitigated. Senior management actively engages with clients and the Group undertakes constant market monitoring and period pricing revision to mitigate risks. Commercial initiatives are aligned with our major clients and this is complemented by an ongoing focus on technology.</p> <p>The Group's track record of innovation and diversification ensures the Group offers best-in-class services with a global capability. The Group is focused on integrating acquisitions and delivering tangible synergies. This is supported by robust governance and programme management structures.</p> <p>We maintain a dedicated international marketing team who promote the benefits of listing on our markets to international issuers, the global advisory community and other stakeholders.</p>	▲

Principal risks and uncertainties continued

RISK DESCRIPTION	MITIGATION	RISK LEVEL
<p>Compliance</p> <p>There is a risk that one or more of the Group's entities may fail to comply with the laws and regulatory requirements to which it is, or becomes, subject. In this event, the entity in question may be subject to censures, fines and other regulatory or legal proceedings.</p>	<p>The Group continues to maintain systems and controls to mitigate compliance risk. Compliance policies and procedures are regularly reviewed to ensure that Group entities and staff are compliant with applicable laws and regulations and uphold our corporate standards. Staff are subject to mandatory compliance training.</p>	▲
<p>Transformation</p> <p>The Group is exposed to transformation risks (risk of loss or failure resulting from change/transformation) given the current levels of change and alignment activity taking place across the Group. As part of the alignment processes, the Group targets specific synergy deliveries.</p> <p>A failure to successfully align the businesses of the Group may lead to an increased cost base without a commensurate increase in revenue; a failure to capture future product and market opportunities; and risks in respect of capital requirements, regulatory relationships and management time.</p> <p>The additional work related to M&A and alignment activities could have an adverse impact on the Group's day-to-day performance and/or key strategic initiatives which could damage the Group's reputation.</p> <p>The size and complexity of the recent acquisitions and the recent merger proposal have increased the Group's change management and transformation risks. However, it has also increased its opportunities to compete on a global scale.</p>	<p>The LSEG Enterprise-wide Risk Management Framework (ERMF) ensures appropriate Risk Management across the Group, and the governance of the enlarged Group is aligned and strengthened as appropriate. The Group performs regular reporting of change performance, including ongoing alignment activity.</p> <p>Each major initiative is overseen by a Steering Committee which monitors the associated risks closely and is typically chaired by the Chief Financial Officer or the Director of Corporate Strategy and includes Executive Committee members. Regular reports are submitted to the Executive Committee, the Board Risk Committee and the Board.</p>	▲
<p>Reputation/Brand</p> <p>A number of the Group's businesses have iconic national brands that are well-recognised at international as well as at national levels. The strong reputation of the Group's businesses and their valuable brand names are a key competitive strength. Any events or actions that damage the reputation or brands of the Group could adversely affect its business, financial condition and operating results.</p> <p>Failure to protect the Group's Intellectual Property rights adequately could result in costs for the Group, negatively impact the Group's reputation and affect the ability of the Group to compete effectively. Further, defending or enforcing the Group's Intellectual Property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Group's business, financial condition and operating results.</p>	<p>LSEG has policies and procedures in place which are designed to ensure the appropriate usage of the Group's brands and to maintain the integrity of the Group's reputation.</p> <p>LSEG actively monitors the usage of its brands and other Intellectual Property in order to prevent or identify and address any infringements. The Group protects its Intellectual Property by relying upon a combination of trade mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with its affiliates, clients, customers, suppliers, strategic partners and others.</p>	—

FINANCIAL RISKS

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

RISK DESCRIPTION	MITIGATION	RISK LEVEL
<p>Market risk</p> <p>Non-Clearing</p> <p>Foreign Exchange Risk</p> <p>The broader geographical footprint of the Group has increased the complexity of foreign exchange risk.</p> <p>Interest Rate Risk</p> <p>Interest rate risk arises through the Group's borrowings and the Group's treasury investment activities.</p> <p>Clearing</p> <p>The Group's clearing providers assume the counterparty risk for all transactions that are cleared through their markets. In the event of default of their clearing members, therefore, credit risk will manifest itself as market risk. As this market risk is only present in the event of default this is referred to as "latent market risk". This risk is greater if market conditions are unfavourable at the time of the default.</p> <p>Our clearing services guarantee final settlement of trades and manage counterparty risk for a range of assets and instruments including cash equities, derivatives, energy products, agricultural derivatives, interbank collateralised money loans and government bonds. The latent market risk therefore includes interest rate risk, foreign exchange risk, equity risk and commodity price risk as well as country risk, issuer risk and concentration risk.</p> <p>Default by a clearing member could adversely affect the Group CCPs' revenues and its customers' goodwill and, in extreme circumstances, with certain clearing providers, could lead to a call on the Group CCPs' own capital.</p> <p>In addition, certain CCPs within the Group have interoperability margin arrangements with other counterparties requiring collateral to be exchanged in proportion to the value of the underlying transactions involved. The relevant clearing provider entities within the Group are therefore exposed to the risk of a default of such counterparties under such arrangements.</p>	<p>This is managed via a programme of monitoring and of hedging where desired via foreign exchange trades or cross-currency swaps.</p> <p>The risk is monitored closely and managed through a combination of local operating company treasury units and a central Group Treasury function.</p> <p>All our CCPs are compliant with the appropriate regulatory requirements regarding margin calculations, capital and default rules.</p> <p>Under the ERMF, CCP latent market risk must be managed in compliance with the Group CCP Financial Risk Policy as well as policies of the CCPs themselves.</p> <p>There has been a very significant strengthening of CCP members' balance sheets over recent years, reducing the risk to LSEG CCPs of a member default. The banks' own recovery and resolution plans also provide a degree of protection to the CCP in the event of a bank becoming troubled. The financial risks associated with clearing operations are further mitigated by:</p> <ul style="list-style-type: none"> – Strict CCP membership rules including supervisory capital, technical and organisational criteria – The maintenance of prudent levels of margin and default funds to cover exposures to participants. Each member deposits margins, computed at least daily, to cover the theoretical costs which the clearing service would incur in order to close out open positions in the event of the member's default. Clearing members also contribute to default funds – Regular 'Fire Drills' are carried out to test the operational soundness of the CCPs' default management processes <p>A centralised risk oversight dashboard with associated VaR model has been implemented by LSEG, covering key clearing services. This model consolidates the underlying risk by member across the services in the engine, enabling LSEG to assess cumulative counterparty risks across the CCPs. This information is consolidated with CCP liquidity management balances and is available daily to the Executive Committee and Board, including limits and RAG ratings.</p> <p>Committees overseeing latent market and member risks meet on a regular basis.</p>	<p>—</p>

Principal risks and uncertainties continued

RISK DESCRIPTION	MITIGATION	RISK LEVEL
<p>Liquidity risk (clearing)</p> <p>There are 2 distinct types of risk commonly referred to as liquidity risk – market liquidity risk and funding liquidity risk. The former is the risk that it may be difficult or expensive to liquidate a large or concentrated position. The latter is the risk that the CCP may not have enough cash to pay for physically settled securities delivered by a non-defaulter that cannot be on-sold to a defaulter.</p> <p>The Group CCPs collect clearing members' margin and/or default funds contributions in cash and/or in highly liquid securities. To maintain sufficient ongoing liquidity and immediate access to funds, the Group CCPs deposit the cash received in highly liquid and secure investments, such as sovereign bonds and reverse repos, as mandated under EMIR; securities deposited by clearing members are therefore held in dedicated accounts with CSDs and/or ICSDs. The Group CCPs also hold a small proportion of their investments in unsecured bank and money market deposits. The successful operation of these investment activities is contingent on general market conditions and there is no guarantee that such investments may be exempt from market losses.</p> <p>Furthermore, there is a risk that a counterparty default could lead to losses to the Group. Such a loss may occur due to the default of an issuer of bonds in which funds may be invested or the default of a bank in which funds are deposited. The Group CCPs manage their exposure to credit and concentration risks arising from such investments by maintaining a diversified portfolio of high quality issuers and of banking counterparties.</p> <p>The Group relies on established policies with minimum counterparty credit criteria, instructions, rules and regulations, as well as procedures specifically designed to actively manage and mitigate credit risks. There is no assurance, however, that these measures will be sufficient to protect the Group's CCPs from a counterparty default.</p>	<p>Group CCPs have put in place regulatory compliant liquidity plans for day-to-day liquidity management, including contingencies for stressed conditions. Group CCPs have multiple layers of defence against liquidity shortfalls including; intraday margin calls, minimum cash balances, access to contingent liquidity arrangements, and, for certain CCPs, access to central bank liquidity.</p> <p>Under the ERMF, CCP investments must be made in compliance with the Group CCP Financial Risk Policy (as well as the Policies of the CCPs themselves). These Policies stipulate a number of Risk Management standards including investment limits (secured and unsecured) and liquidity coverage ratios. Committees overseeing CCP investment risk meet regularly.</p> <p>Each CCP monitors its liquidity needs daily under stressed and unstressed assumptions and reports to the Group Financial Risk Committee each month.</p> <p>CCP counterparty risk including liquidity management balances and counterparty disintermediation risk is consolidated daily at the Group level and reported to the Executive Committee, including limits and status rating.</p>	▲
<p>Settlement and custodial risks (clearing)</p> <p>The Group's CCPs are exposed to operational risks associated with clearing transactions and the management of collateral, particularly where there are manual processes and controls. While the Group's CCPs have in place procedures and controls to prevent failures of these processes, and to mitigate the impact of any such failures, any operational error could have a material adverse effect on the Group's reputation, business, financial condition and operating results.</p> <p>In addition, the Group provides routing, netting and settlement services to ensure that cash and securities are exchanged in a timely and secure manner for a multitude of products. There are operational risks associated with such services, particularly where processes are not fully automated. A failure to receive funds from participants may result in a debiting of the Group's cash accounts which could have a material adverse effect on the Group's business, financial condition and operating results.</p>	<p>Counterparty risk is mitigated through pre-positioning (availability of security) and pre-funding (availability of cash).</p> <p>Operational risk is minimised via highly automated processes reducing administrative activities while formalising procedures for all services. The Central Securities Depository (CSD) mitigates IT risks by providing for redundancy of systems, daily backup of data, fully updated remote recovery sites and SLAs with outsourcers. Liquidity for CSD operations is provided by the Bank of Italy.</p>	■
<p>For more information on these risks see the "Post Trade Services" section of the Segmental Review (on pages 26–30), and Note 2 to the accounts, "Financial Risk Management" (on pages 108–112).</p>		

RISK DESCRIPTION	MITIGATION	RISK LEVEL
<p>Capital risk</p> <p>Principal risks to managing the Group's capital are:</p> <ul style="list-style-type: none"> – In respect of regulated entities, capital adequacy compliance risk (the risk that regulated entities do not maintain and report sufficient qualifying capital to meet regulatory requirements) and capital reporting compliance risk (the risk that regulated entities fail to comply with capital reporting and regulatory obligations). If a regulated entity in the Group fails to ensure sufficient capital resources are maintained to meet regulatory requirements, this could lead to loss of regulatory approvals and/or financial sanctions – In respect of regulated and unregulated entities, commercial capital adequacy and quality risk (the risk that Group and solo entities do not maintain both sufficient quantity and quality of capital to meet commercial requirements) and investment return risk (the risk that capital is held in subsidiaries or invested in projects that generate a return that is below the Group's cost of capital) – Availability of debt or equity (whether specific to the Group or driven by general financial market conditions) <p>For more information on this risk see Note 2 to the accounts, "Financial Risk Management" on pages 108–112.</p>	<p>The Group's Capital Management Policy provides a framework to ensure the Group maintains suitable capital levels (both at Group and solo entity levels), and effectively manages the risks thereof. The Group's Treasury Policy recognises the need to observe regulatory requirements in the management of the Group's resources.</p> <p>The Risk Appetite approved by the Board includes components related to the Group's leverage ratios and capital risks; Key Risk Indicators are monitored regularly. The Group maintains an ongoing review of the capital positions of its regulated entities and operates within capital limits which are overseen by the Treasury Committee, the Financial Risk Committee, the Executive Committee and the Board. The Group can manage its capital structure by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom.</p> <p>The Group regularly assesses debt and equity markets to maintain access to new capital at reasonable cost. The Group is mindful of potential impacts on its key metrics when considering changes to its capital structure.</p>	—

OPERATIONAL RISKS

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

RISK DESCRIPTION	MITIGATION	RISK LEVEL
<p>Technology</p> <p>Secure and stable technology performing to high levels of availability and throughput continues to be critical to the support of the Group's businesses. Technology failures may impact our clients, potentially leading to a loss of trading or clearing volumes or impacting our information services activities.</p> <p>The Group continues to consolidate its IT development and operations in the MillenniumIT infrastructure to provide greater control and efficiency. This focus of activity means there is a risk of resource over-stretch to meet both the requirements of the Group and those of third parties. Continued innovation and investment in new trading/ information systems can lead to further resource stretch in coping with increased volumes and new product development.</p> <p>The Group also has dependencies on a number of third parties for the provision of hardware, software, communication and networks for elements of its trading, clearing, settlement, data and other systems.</p> <p>For more information see the "Technology Services" section of the Segmental Review, on pages 34–35. For information on LCH.Clearnet see section of the Segmental Review on pages 28–30.</p>	<p>The performance and availability of the Group systems are constantly reviewed and monitored to prevent problems arising where possible and ensure a prompt response to any potential service interruption issues.</p> <p>The Group's technology teams mitigate the risk of resource over-stretch by ensuring prioritisation of key development and operations activities, and resource utilisation and allocation are kept under constant review.</p> <p>The MillenniumIT systems are designed to be fault tolerant and alternative standby computer facilities are maintained to minimise the risk of system disruptions.</p> <p>The Group actively manages relationships with key strategic IT suppliers to avoid any breakdown in service provision which could adversely affect the Group's businesses. Where possible the Group has identified alternative suppliers that could be engaged in the event of a third party failing to deliver on its contractual commitments. The Group monitors new technological developments and opportunities such as Blockchain.</p>	—

<p>Change management</p> <p>The considerable change agenda is driven by both internal and external factors. Internal factors include the diversification strategy of the Group and its drive for technology innovation and consolidation. External factors include the changing regulatory landscape and requirements which necessitate changes to our systems and processes.</p> <p>There are a significant number of major, complex projects and strategic actions underway concurrently, that, if not delivered to sufficiently high standards and within agreed timescales, could have an adverse impact on the operation of core services, and revenue growth, as well as damaging the Group's reputation. The volume of simultaneous change could also lead to a loss of client goodwill if the execution is not managed appropriately. Synergies and cost benefits may not be delivered to anticipated levels.</p> <p>For more information, see the Chairman's statement on pages 4–5, and the Chief Executive's review on pages 6–7.</p>	<p>The senior management team is focused on the implementation of the Group's strategy and the project pipeline in view of their importance to the Group's future success. Each major project is managed via a dedicated Programme Board overseen by members of the Executive Committee.</p> <p>Software design methodologies, testing regimes and test environments are continuously being strengthened to minimise implementation risk.</p>	—
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Principal risks and uncertainties continued

RISK DESCRIPTION	MITIGATION	RISK LEVEL
<p>Investment Management (operations)</p> <p>The Group is currently in the process of divesting Russell Investments. In the period through to completion of the proposed sale of Russell Investments (the Disposal), there are risks relating to the Disposal itself, as well as business risks during this transitional phase. This separation could take longer to complete than anticipated, increasing the risk of errors in the day-to-day operations of the business and/or result in higher than expected costs to the Group or such loss of customers. This could have an adverse effect on the business, financial condition, operating results and customer relationships of the Group.</p> <p>Rising global demand for multi-managers/single sub-advisor products has resulted in increasing competitive pressures for our Investment Management (IM) business. The generally increasing use of ETFs and other passive investment products also drives competition, which could impact the growth of assets under management and fees thereof.</p> <p>The IM business model is reliant on data and services provided by third-party suppliers in custody, and certain money managers and distributors. In North America, the IM business has established strong relationships with advisors at independent broker-dealers who distribute to individual retail clients and is reliant upon these third-party advisors to ensure that its products are being marketed properly and are well matched to the needs of the individual clients.</p> <p>In most asset classes and some investment strategies there exist investment manager concentrations or situations where mandates represent a substantial portion of a manager's AUM. While the IM business faces little direct financial exposure to difficulties that a third-party supplier might experience, problems experienced by a supplier might expose the Group to reputational risk, regulatory risk, and potential litigation risk.</p>	<p>We monitor key regulatory developments in each of the jurisdictions where the Investment Management operations and its advisory business are active. We also work closely with industry trade associations and State trade associations to promote the interests of our clients.</p> <p>There are in place a number of processes and governance practices that focus on the prudent management of third-party exposure. Russell's Operational Risk processes include a formalised review of third-party vendors. Contracting and negotiation are centralised to ensure all relationships are properly contracted. Service level agreements, key performance indicators and reviews of the independent control attestations of strategic vendors (SSAE16s) are important elements in the third-party supplier control framework.</p> <p>The third-party advisors who distribute our investment products to individual retail clients are subject to numerous, increasingly stringent regulations aimed at improving transparency and ensuring that clients are being well served, including applying the more demanding fiduciary standards to the relationship between financial advisors and their clients. Risk Management of key vendors for our IM business includes centralised teams for credit, market and operational risk along with compliance/Risk Management personnel in each of its key operating regions.</p> <p>In addition, there is monthly monitoring and reporting to senior management of investment manager concentrations, and regular reviews with third-party investment managers by both the business units and Russell's Risk Management team.</p>	—
<p>Investment Management (consulting)</p> <p>The IM business includes a consulting business, the clients of which are generally very large and sophisticated institutional pension funds or Sovereign Wealth Funds, and also a business offering financial services directly to retail investors in the UK. Adverse investment experience for clients of either of these businesses could expose the Group to reputational risk or litigation risk.</p>	<p>The IM business has a number of policies and processes in place to manage the risks associated with its consultancy activities and the activities of the retail facing business.</p> <p>The consultancy business benefits from access to the same tools and expertise as the core IM business. Russell's Risk Management team is represented in the governance process which oversees key investment models utilised by the Investment Management group and by its consultants in developing investment strategy recommendations.</p>	—
<p>Security threats</p> <p>The Group is reliant upon secure premises to protect its employees and physical assets as well as appropriate safeguards to ensure uninterrupted operation of its IT systems and infrastructure. The threat of cyber crime requires a high level of scrutiny as it may have an adverse impact on our business. Terrorist attacks and similar activities directed against our offices, operations, computer systems or networks could disrupt our markets, harm staff, tenants and visitors, and severely disrupt our business operations. Civil or political unrest could impact on companies within the Group.</p> <p>Long-term unavailability of key premises or trading and information outages and corruption of data could lead to the loss of client confidence and reputational damage. Security risks have escalated in recent years due to the increasing sophistication of cyber crime.</p>	<p>Security threats are treated very seriously. The Group has robust physical security arrangements, and extensive IT measures are in place to mitigate technical security risks. The Group is supported by the Centre for the Protection of National Infrastructure (CPNI) in the UK, with both physical and IT security teams monitoring intelligence and liaising closely with police and global Government agencies.</p> <p>A third party security monitoring service is retained to assist with monitoring global physical security events with the potential to impact Group operations.</p> <p>The Group has well established and regularly tested business continuity and crisis management procedures. The Group risk function assesses its dependencies on critical suppliers and ensures robust contingency measures are in place.</p>	▲

RISK DESCRIPTION	MITIGATION	RISK LEVEL
<p>Employees</p> <p>The calibre and performance of senior management and other key employees, taken together, is critical to the success of the Group. The Group's ability to attract and retain key personnel is dependent on a number of factors. This includes (but not exclusively) prevailing market conditions, compensation packages offered by competing companies and any regulatory impact thereon. These factors also encompass the Group's ability to continue to have appropriate variable remuneration and retention arrangements in place, which help drive strong business performance and impact the size of the local labour force with relevant experience and the number of businesses competing for such talent. There can be no assurance that the Group will be successful in attracting and retaining the personnel it requires, which may adversely affect the Group's ability to conduct its business through an inability to execute business operations and strategies effectively.</p>	<p>The Group operates a performance management and appraisal system. Executive development opportunities are provided and the Nominations Committee is responsible for considering succession plans for key senior positions. In addition, a programme of succession planning is operated by the Group to minimise the impact of the loss of key staff critical to the operation of the business.</p> <p>A performance related annual bonus and pay review process is in place for all employees. Regular benchmarking of reward and incentive systems is performed to ensure they are competitive. The Group also offers Long Term Incentive Plans for high performers and critical staff and turnover is closely monitored. A centralised training budget allows a coordinated approach to development across the Group.</p> <p>We continue to enhance our talent management approach and maintain a rigorous recruitment and selection process. This process is managed by a new in-house team that reports to the Group Head of Talent.</p>	<p>—</p>

For more information see "Our wider responsibility", on pages 36–37 and Remuneration Report, on pages 70–87.

Board of Directors

Board structure

as at 31 December 2015

The Board comprised:

- Chairman, who was independent on appointment
- 1 Senior Independent Director
- 8 other independent Non-Executive Directors and 1 Non-Executive Director
- 3 Executive Directors



Donald Brydon CBE
Chairman of the Group and the Nomination Committee (age 70)
 Appointed to the Board in June 2015 and appointed Chairman in July 2015

N R

Key areas of experience: Industry and finance, governance, chairing major companies, pensions.

Donald is currently Chairman of The Sage Group plc and the Medical Research Council.

Donald brings to the Board his wealth of experience gained on the boards of a number of listed companies across a wide range of sectors, as well as his significant knowledge and understanding of the Finance and Insurance industries, gained from his time as Chairman and Chief Executive of both BZW Investment Management Ltd and AXA Investment Managers SA.

Past experience: Donald has also held the post of Chairman at: Smiths Group plc, the London Metal Exchange, Taylor Nelson Sofres plc, Amersham plc, AXA Framlington Ltd and Royal Mail plc and is a former Director of Aberdeen UK Tracker Trust plc, Allied Domecq plc, AXA UK plc and Scottish Power plc.

Other current appointments: Donald is currently Chairman of the charity Chance to Shine and Chairman of the Science Museum Foundation.



Xavier R Rolet KBE
Group Chief Executive Officer (age 56)
 Appointed to the Board in March 2009 and appointed Chief Executive Officer in May 2009

G

Key areas of experience: Corporate finance, investment banking, securities trading, investment management, mergers and acquisitions, risk, strategy.

Xavier has a proven track record as a senior Executive in the global equity trading sector and brings significant experience to the Board gained working in the senior management teams of Global Investment Banks.

Past experience: Xavier was a senior Executive at Lehman Brothers from 2000 to 2009 and, latterly, Chief Executive Officer of Lehman Brothers in France from July 2007 to January 2009. Prior to Lehman Brothers, he held senior positions at Dresdner Kleinwort Benson from 1997 to 2000, Credit Suisse First Boston from 1994 to 1996 and Goldman Sachs from 1984 to 1994.

Other current appointments: Xavier is a member of HM Treasury's Financial Services Trade and Investment Board, a member of the Columbia Business School Board of Overseers, a member of the Prime Minister's Business Advisory Group and a member of the Governor of the Bank of England's Financial Services Forum. He is an Honorary Fellow (FSCI/Hon) of the Chartered Institute for Securities and Investment and a Knight of the French Order of the Legion of Honour.



David Warren
Group Chief Financial Officer (age 61)
 Appointed to the Board in July 2012

G

Key areas of experience: Accounting, corporate finance, mergers and acquisitions, strategy, treasury management.

David brings significant international financial management expertise to the Board.

Past experience: Prior to being appointed Chief Financial Officer of London Stock Exchange Group, David was Chief Financial Officer of NASDAQ OMX from 2001 to 2009 and Senior Adviser to the NASDAQ CEO from 2011 to 2012. Other senior roles David has held have included: Chief Financial Officer at the Long Island Power Authority of New York and Deputy Treasurer of the State of Connecticut.

Other current appointments: None.



Raffaele Jerusalmi
Executive Director, CEO of Borsa Italiana S.p.A and Director of Capital Markets (age 54)
 Appointed to the Board in June 2010

G

Key areas of experience: Capital markets, corporate finance, equity and fixed income trading.

Raffaele brings significant experience in capital markets and equity trading to the Group. He has worked for Borsa Italiana S.p.A. for the past 18 years and is Borsa's current Chief Executive Officer. Raffaele also holds a number of other internal senior positions within the Group including: the Vice Chairmanship of Monte Titoli, MTS and CC&G.

Past experience: Prior to joining Borsa, Raffaele was Head of Trading for Italian Fixed Income at Credit Suisse First Boston. Raffaele was also a member of Credit Suisse's proprietary trading group in London as well as representing Credit Suisse First Boston on the Board of MTS S.p.A. Prior to joining Credit Suisse, he was Head of Trading for the fixed income and derivatives divisions at Cimo S.p.A in Milan.

Other current appointments: Raffaele is a Venture partner of the Advisory Committee of Texas Atlantic Capital.

Non-Executive Director Changes

- Chris Gibson-Smith resigned as Non-Executive Director and Chairman of the Board on 1 July 2015
- Baroness (Joanna) Shields OBE resigned on 19 May 2015
- Massimo Tononi resigned on 7 August 2015
- Robert Webb resigned on 29 April 2015

COMMITTEE MEMBERSHIP KEY

A Audit	N Nomination
R Remuneration	R Risk
G Group Executive	■ Committee Chairman



Jacques Aigrain
Independent Non-Executive Director and Chairman of the Remuneration Committee (appointed December 2015) (age 61)
 Appointed to the Board in May 2013 A R

Key areas of experience: Client management, corporate finance, corporate governance, post trade and clearing, investment management, mergers and acquisitions, strategy.

Jacques brings significant expertise and knowledge of global post trade and clearing and investment management to the Board. He also holds a PhD in Economics from the University of Paris (Sorbonne).

Past experience: Jacques was Chairman of LCH.Clearnet Group Limited from 2010 to 2015. He has also been a Director of Resolution Ltd, a Supervisory Board member of Deutsche Lufthansa AG as well as a Director of the Qatar Financial Center Authority and he was Chief Executive Officer of Swiss Re from 2006 to 2009. Prior to this, Jacques spent 20 years, with J.P. Morgan Chase, working in the New York, London and Paris offices.

Other current appointments: Jacques is currently a Partner at Warburg Pincus LLP, a Supervisory Board member of Lyondell Basell NV and a Non-Executive Director of WPP Plc. He is also a Non-Executive Director of Swiss International Airlines (a subsidiary of Deutsche Lufthansa AG) and Acutronic AG.



Baroness (Sharon) Bowles
Independent Non-Executive Director (age 62)
 Appointed to the Board in August 2014 A

Key areas of experience: Financial services regulation, corporate governance, economic affairs, EU Law and regulation, innovative technology, licensing and intellectual property law and practice.

Sharon is a qualified patent attorney with over 30 years experience within the licensing and intellectual property fields. She founded the European Patent and Trademark firm, Bowles Horton in 1981 where she was a partner.

Sharon also brings extensive European and political experience to the Board from her time as a member of the European Parliament.

Past experience: She was a member of the European Parliament from 2005 to 2014 serving on the Economic and Monetary affairs Committee which she chaired from 2009 to 2014, and the Legal Affairs Committee.

Other current appointments: Sharon is a member of the Systemic Risk Council, a Non-Executive Director of Prime Collateralised Securities ASBL and a Strategic Advisor to Afore Consulting.



Sherry Coutu CBE
Independent Non-Executive Director (age 52)
 Appointed to the Board in January 2014 R

Key areas of experience: Technology, corporate finance, corporate governance, start-up companies, strategy.

Sherry has wide-ranging experience as an executive in the technology sector and has been involved with a number of technology start-ups. She is also the author of *"The Scale-Up Report on UK Economic Growth"* which was commissioned by the UK Government and is exploring "national and city dashboards" to be able to measure the degree to which Local Enterprise Partnerships ("LEPs") can track the economic impact of their start-up and scale-up policies over time.

Past experience: Sherry served on the Advisory Boards of LinkedIn.com and Care.com and was an investor and a Director of New Energy Finance. She was also a Non-Executive and Senior Independent Director of RM plc and Chairman of the Remuneration Committee. Sherry was a Trustee of NESTA, the National Endowment for Science, Technology and Arts. Sherry founded Interactive Investor International and served as Chief Executive Officer and Chairman from 1995 to 2001.

Other current appointments: Sherry currently serves as an external Non-Executive Director of the University of Cambridge. Sherry is also Chair of the charity Founders4Schools, The Scale-Up Institute and Non-Executive Director of Zoopla Property Group plc, Cambridge Temperature Concepts, Cambridge Assessments, Cambridge University Press, Rasperry PI, and Artfinder.



Paul Heiden
Senior Independent Non-Executive Director and Chairman of the Audit Committee (age 59)
 Appointed to the Board in June 2010 A N R

Key areas of experience: Corporate finance and accounting, technology and engineering, corporate governance and risk, commercial manufacturing and supply chain.

Paul is a chartered accountant and provides the Board and the Audit Committee with relevant financial expertise, gained through a long career of senior finance and management roles across a wide range of business sectors.

Past experience: Paul was previously Chairman of Talaris Topco Limited, Non-Executive Director of United Utilities Group plc and Chief Executive Officer of FKI plc. Paul was an Executive Director of Rolls-Royce plc from 1997 to 1999 and Group Finance Director from 1999 to 2003. He has also had previous senior finance roles at Hanson plc and Mercury Communications and was a Non-Executive Director of Bunzl plc and Filtrona plc.

Other current appointments: Paul is a Non-Executive Director of Meggitt plc and Non-Executive Chairman of Intelligent Energy Holdings plc and A-Gas (Orb) Limited.



Stuart Lewis
Independent Non-Executive Director (age 50)
 Appointed to the Board in June 2013 R R

Key areas of experience: Credit risk, banking, corporate finance, governance.

Stuart brings to the Board wide knowledge and experience of risk management. He is currently Chief Risk Officer and a Member of the Management Board at Deutsche Bank AG, where he has previously held a number of senior roles.

Past experience: From 1992 to 1996, Stuart worked at Credit Suisse Financial Products in credit risk management and, from 1990 to 1991, at Continental Illinois National Bank.

Other current appointments: Stuart is currently Chair of the International Financial Risk Institute ("IFRI") and on the Board of Trustees for the Global Association of Risk Professionals ("GARP").



Andrea Munari
Independent Non-Executive Director (age 53)
 Appointed to the Board in October 2007 R

Key areas of experience: Capital markets, clearing, corporate finance, risk.

Andrea brings significant experience in capital markets, equity trading and risk management to the Group. Andrea is currently Chief Executive Officer and General Manager of BNL, a Member of the BNP Paribas Executive Committee and Head of BNP Paribas Group in Italy.

Past experience: Andrea was previously Chief Executive Officer of Credito Fondiario S.p.A. from January 2014 to November 2015 and General Manager of Banca IMI from March 2006 to December 2013. Other senior roles he has held have included: Managing Director of Morgan Stanley Fixed Income Division and Chief Executive Officer and General Manager of Banca Caboto (now Banca IMI), Director of MTS S.p.A. and Director of TLX S.p.A.

Other current appointments: From January 2016, Chairman of Findomestic Banca S.p.A. the consumer credit company of BNP Paribas Group in Italy.

Board of Directors continued



Stephen O'Connor
Independent Non-Executive Director
and Chairman of the Risk Committee (age 54)
 Appointed to the Board in June 2013

R A N

Key areas of experience: Risk, capital markets, clearing, corporate finance.

Stephen brings international expertise in clearing and counterparty risk management to the Board. He has worked extensively with global regulators in the area of financial services market reform.

Past experience: Stephen was Chairman of the International Swaps and Derivatives Association from 2011 to 2014 having been appointed as a Non-Executive Director in 2009. Stephen also worked at Morgan Stanley in London and New York for 25 years, where he was a member of the Fixed Income Management Committee and held a number of senior roles including Global Head of Counterparty Portfolio Management and Global Head of OTC Client Clearing.

Stephen was a member of the High Level Stakeholder Group for the UK Government's review of the Future of Computer Trading in Financial Markets and served as Vice-Chairman of the Financial Stability Board's Market Participants Group on Financial Benchmark Reform. He was a Non-Executive Director of OTC DerivNet Ltd from 2001 to 2013 and was Chairman from 2001 to 2011.

Other current appointments: Stephen is a member of the US Commodity Futures Trading Commission ("CFTC") Global Markets Advisory Committee. He is a Non-Executive Director and Chair of the Board Risk Committee of GE Capital International Holdings Ltd and serves as Chairman of Quantile Technologies Ltd.



Mary Schapiro
Independent Non-Executive Director (age 60)
 Appointed to the Board in July 2015

N

Key areas of experience: Market regulation, corporate finance, corporate governance and risk, securities.

Mary brings expertise in market regulation and US markets to the Board.

Past experience: Mary has held a number of senior regulatory positions including: the Chair of the US Securities and Exchange Commission, CEO and Chair of the Financial Industry Regulatory Authority ("FINRA") and its predecessor the National Association of Securities Dealers Regulation Inc. ("NASDR"), Chair of the FINRA Educational Foundation, and the Chair of the US Commodity Futures Trading Commission ("CFTC").

Mary is a former Director of Kraft Foods, Duke Energy Corp and Cinergy Corp. She was also Managing Director, Governance and Markets, Promontory Financial Group LLC.

Other current appointments: Mary is a Non-Executive Board Director of the General Electric Co., Vice-Chairman of the Sustainability Accounting Standards Board ("SASB") and Vice-Chairman, Advisory Board at Promontory Financial Group. She also serves as an advisory board member at SpruceView Capital and Hudson Executive Capital and is a trustee of MITRE Corporation.



Professor Lex Hoogduin
Non-Executive Director (age 59)
 Appointed to the Board in December 2015

Key areas of experience: Clearing and settlements systems, economic policy and research, financial stability and financial markets, statistics and payment.

Lex brings significant expertise and knowledge of economics and the operation of financial markets to the Board. He is also currently Chairman of the Group subsidiary, LCH.Clearnet Group Limited.

Past experience: Lex previously served as Executive Director at De Nederlandsche Bank ("DNB") from January 2009 until July 2011, where his responsibilities included economic policy and research, financial stability, financial markets, statistics and payment, clearing and settlement systems. He has also held a number of economic advisory positions as Chief Economist at Robeco, Managing Director of the IRIS research institute and advisor to the first president of the ECB. Lex holds a Master's degree in Economics from the University of Groningen, the Netherlands and received his PhD degree in Economics in 1991.

Other current appointments: Lex is a part-time professor of complexity and uncertainty in financial markets and financial institutions at the University of Groningen, the Netherlands.



David Nish
Independent Non-Executive Director (age 55)
 Appointed to the Board in December 2015

A R

Key areas of experience: Strategy, finance, corporate governance and risk, consumer and market regulation, savings and investments.

David provides significant FTSE 100 expertise to the Board from his experience on a number of other boards, including in the Investment Management and Insurance sectors from his time at Standard Life Plc.

Past experience: David was the Chief Executive Officer of Standard Life Plc from January 2010 to September 2015 having joined the company as Group Finance Director in November 2006. A chartered accountant, David was also previously Group Finance Director of Scottish Power plc and he is a former Partner at Price Waterhouse.

Previously, David has been a Non-Executive Director of Northern Foods plc, Thus plc, HDFC Life (India) and was Deputy Chairman of the Association of British Insurers.

Other current appointments: David is a Non-Executive Director of Vodafone Group Plc, the UK Green Investment Bank Plc and, from 31 March 2016, Zurich Insurance Group. He is also a member of the Council of the Institute of Chartered Accountants of Scotland.

COMMITTEE MEMBERSHIP KEY

- A** Audit
- R** Remuneration
- G** Group Executive
- N** Nomination
- R** Risk
- Committee Chairman

Corporate governance



Donald Brydon CBE
Chairman

Dear Shareholders,

The Board of the Group is committed to ensuring that it provides effective leadership and promotes uncompromising ethical standards. One of the ways in which the Board achieves this is by requiring that good governance principles and practices are adhered to throughout the Company. The Board has determined that the following is a helpful summary of its role.

Good governance is about helping to ensure the Company is well run. It involves being satisfied that an effective internal framework of systems and controls is put in place which clearly defines authority and accountability and promotes success while permitting the management of risk to appropriate levels.

It also involves the exercise of judgement as to the definitions of success for the Group, the levels of risk we are willing to take to achieve that success and the levels of delegation to the executive. The exercise of this judgement is the responsibility of the Board and involves consideration of processes and assumptions as well as outcomes.

It also involves the creation of a sensitive interface for the views of shareholders and other stakeholders to be given appropriate consideration when reaching these judgements.

The Executive Team is required to provide such information to the Board as the Board needs to enable it to exercise its judgement over these matters. It must also evidence appropriate process. There is a very fine distinction between the approval of processes and their definition. Only exceptionally would the Board intervene to initiate or define.

The Board also sets the tone for the Company. The way in which it conducts itself, its attitude to ethical matters, its definition of success and the assessment of appropriate risk, all define the atmosphere within which the executive team works.

Good corporate governance is not about adhering to codes of practice (although adherence may constitute a part of the evidence of good governance) but rather about the exercise of a mindset to do what is right. One of the challenges facing any Board is the way in which the Non-Executive and the Executive Directors interact. It is clear that they each have the same legal responsibility but it is generally unrealistic to expect Executive Directors to speak individually with the same freedom as the Non-Executive Directors. Equally, Executive Directors who just “toe the executive line” in contradiction to their own views may not be effectively contributing to good governance. A well-functioning Board needs to find the right balance between hearing the collective executive view, being aware of the natural internal tensions in an executive team and allowing independent input from the Non-Executive Directors.

One of the consequences of both increasing the watchdog role of the Board and finding this balance between individuality and team behaviour is driving more and more Boards to have fewer and fewer Executive Directors. In our circumstances, the consequent Board construction works effectively and an appropriate balance is struck.

Notwithstanding the tensions created by many external expectations, which may be wholly or in part unrealistic, a successful Board should, ideally, be composed of a diverse group of respected, experienced and competent people who coalesce around the common purpose of promoting the long-term success of the Company, provide a unified vision of the definitions of success and appropriate risk, endeavour to support management (i.e. honestly criticise at times but encourage all the time) and create confidence in all stakeholders in the integrity of the business.

Donald Brydon
Chairman
4 March 2016

Compliance with the UK Corporate Governance Code 2014 (“the Code”) and its statement requirements

Throughout the financial year ended 31 December 2015 and to the date of this report, London Stock Exchange Group has complied with the provisions of the Code. The Code is publicly available at the website of the UK Financial Reporting Council at www.frc.org.uk. This corporate governance section of the Annual Report and Accounts describes how we have applied the principles of the Code.

This report is intended to give shareholders a clear and comprehensive picture of the Group’s governance arrangements and how they operated during the year.

Pages 57–60 set out details of the areas of our focus during the year, followed by the Committee Reports. Descriptions of how we complied with the main principles of the Code are set out on pages 62–63.

Corporate governance continued

Board and Committee meetings 2015

The Board held 6 scheduled meetings and 8 additional meetings at short notice. On a number of occasions throughout the year, the Chairman met Non-Executive Directors without Executive Directors present, and the Board met without the presence of the Chairman. Throughout the year, the Chairman also met with Non-Executive Directors individually to discuss other business-related matters. Comprehensive Board and committee papers, comprising an agenda and formal reports and briefing papers, are sent to Directors in advance of each meeting. Directors are continually updated with written and verbal reports, from senior executives and external advisors.

Each meeting includes a wide-ranging report from the Chief Executive and a report from the Chief Financial Officer on the Group's financial performance. Reports from the committee chairmen, updates on major projects and certain administrative matters are also reported at each Board meeting.

On an annual basis the Board undertakes reviews of the following: Health and Safety, the 3 Year Business Plan and Annual Budget, Strategic Review (off-site strategy day), the FCA's risk mitigation programme together with a presentation from the FCA, Board effectiveness, Review of independence of Directors pursuant to the Code, Review of key governance and corporate policies, Approval of the Group Risk Register and Risk Appetite, Non-Executive Directors' Fees and Approval of Annual and Interim Dividends and the Annual Report and Accounts.

Throughout the year the Board considered the following matters: sale of Frank Russell Investment Management Business, Acquisition of Quality Assurance Business – Exactpro Systems Limited, Sale of Proquote Limited, Executive and Non-Executive succession planning, including the appointment of a new Chairman and 3 new Non-Executive Directors, Discussion and approval of Group strategy including Group corporate responsibility strategy, Group debt refinancing, Group cash pooling project, Investor Relations reports, Review of quarterly financial forecasts and funding of acquisitions, presentation on Cyber Risk and review and approval of full year and interim results and quarterly Interim Management Statements.

	Board	Audit	Nomination	Risk	Remuneration
Donald Brydon CBE ¹	5/14		2/6		4/6
Xavier R Rolet KBE	14/14				
Jacques Aigrain	12/14	4/4			4/6
Baroness (Sharon) Bowles	13/14	4/4			
Sherry Coutu CBE	10/14				5/6
Paul Heiden ⁹	9/14	4/4	6/6	4/4	
Lex Hoogduin ²	1/14				
Raffaele Jerusalmi	14/14				
Stuart Lewis	13/14			4/4	6/6
Andrea Munari	10/14			3/4	
David Nish ³	1/14	0/4		0/4	
Stephen O'Connor ¹⁰	14/14	3/4	6/6	4/4	
Mary Schapiro ⁴	5/14		0/6		
David Warren	14/14				
Directors who left during the year					
Chris Gibson-Smith ⁵	9/14		1/6		2/6
Baroness (Joanna) Shields OBE ⁶	5/14		1/6		
Massimo Tononi ⁷	8/14	2/4	4/6		
Robert Webb ⁸	4/14		2/6		1/6

Notes:

1. Donald Brydon joined the Board on 19 June 2015.
2. Lex Hoogduin joined the Board on 4 December 2015.
3. David Nish joined the Board on 4 December 2015.
4. Mary Schapiro joined the Board on 1 July 2015 and became a member of the Nomination Committee in December 2015.
5. Chris Gibson-Smith left the Board on 1 July 2015.
6. Baroness (Joanna) Shields OBE left the Board on 19 May 2015.
7. Massimo Tononi left the Board on 7 August 2015.
8. Robert Webb left the Board on 29 April 2015.
9. Paul Heiden did not attend a number of Board meetings because of a conflict of interest.
10. Stephen O'Connor joined the Audit Committee on 4 March 2015.

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

When arranging meetings at short notice, every attempt is made to accommodate Directors' diaries; however, inevitably, not all Directors are able to attend all such meetings. The majority of meetings where Directors have been unable to attend were the 8 additional meetings called at short notice which principally related to the sale of the Russell Asset Management business.

BOARD EFFECTIVENESS AND LEADERSHIP

2015 Effectiveness Review

The Board carried out an internal review of its own effectiveness and that of its Committees and Directors. The evaluation process was conducted by the Group Company Secretary using a detailed questionnaire. The results of the review were used to assist the Board in forming Board objectives for 2016 and to assist in consideration of the future development of the Board, its Committees and its individual Directors.

The Board identified that the key areas for Board development were:

- Board Directors to have increased contact outside the Board room
- Increased discussion of succession planning at Board level
- Identify further development needs for Directors

2014 Effectiveness Review

The 2014 Effectiveness Review (which was externally facilitated) identified a number of issues. These are summarised below, together with the resulting actions.

ISSUE	ACTION
Effective management of the process for appointing a successor for the Chairman	New Chairman appointed in July 2015 – see Nomination Committee Report on page 61
Succession planning for the Senior Independent Director and Remuneration Committee Chairman roles	Following Robert Webb stepping down from both positions, successors appointed from within the Board
Refreshment of membership of Committees	Changes made to Committee membership
Appointing the Chair of the Risk Committee to sit on the Audit Committee	Chairman of the Risk Committee appointed to the Audit Committee

Relations with shareholders

The Group's Investor Relations ("IR") function, reporting to the Chief Financial Officer, manages day-to-day engagement with shareholders. The Chief Executive Officer and Chief Financial Officer typically engage with investors through meetings and presentations to discuss strategy, performance and other matters. The Chairman, Senior Independent Director and Chairman of the Remuneration Committee are also available to meet major investors, particularly to discuss corporate governance matters. During the year, senior management and the IR team held 399 meetings and calls with investors from around the world. In addition, the Remuneration Committee consulted with a number of the Group's institutional shareholders on remuneration matters. The Group's AGM provides the opportunity for all shareholders to meet Directors and to put questions to the Board. Procedures for the AGM are compliant with the Code, with voting by way of a poll to ensure all shareholders' views are taken into account.

During the past year, the Group also provided 2 ad hoc strategic updates focusing on the Post Trade and Information Services business divisions. In addition to information on financial and operational performance, the Group engages with shareholders and relevant shareholder advisory agencies on environmental, social and governance ("ESG") matters.

The Board receives a report on IR matters at each of its scheduled meetings, including market expectations of financial performance, updates on share register composition and feedback from investors. Sell-side analyst research notes are circulated to the Board following publication. The Group's corporate brokers and a specialist IR advisory firm also provide the Board with advice on market sentiment and share register analysis.

The IR section of the Group's website (www.lseg.com/investor-relations) is a primary source of regularly updated information about the Group. All financial reports and statements, news releases, presentations and other documents including regulatory news service disclosures are available on the website together with a list of analysts producing research on the Company and a summary of analysts' forecasts of performance. Recordings of presentations of preliminary

and interim results are accessible to all shareholders via webcasts. Webcasts of the Group's 2 strategic update events during the year are also available through the IR section of the website. The Group also produces an annual Corporate Responsibility report that details its approach to ESG matters: www.lseg.com/about-london-stock-exchange-group/corporate-responsibility.

Conflicts of interest

The Company's Articles of Association allow the Board to authorise conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The Group has established procedures whereby actual and potential conflicts of interest are regularly reviewed, appropriate authorisation is sought prior to the appointment of any new Director and new conflicts are addressed appropriately. The decision to authorise a conflict of interest can only be made by non-conflicted Directors and, in making such decisions, the Directors must act in a way they consider, in good faith, would be most likely to promote the Company's success.

Lex Hoogduin is Chairman of LCH.Clearnet Group Limited. LCH.Clearnet Group Limited is a non-wholly owned subsidiary of the Company and Mr Hoogduin receives a separate fee for that role. Any potential conflicts of interest arising as a result of Mr Hoogduin's appointment to the Board have been governed by the terms of a conflicts memorandum of understanding between LCH.Clearnet Group Limited and the Company.

Indemnities

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

Corporate governance continued

Risk Management and Internal Control

During 2015, the Board has directly, and through the Audit Committee and the Risk Committee, reviewed and assessed the Group's risk framework, systems of internal controls and Risk Management process and held formal discussions of the Group risk profile.

The Risk Management process is governed by a Board approved Enterprise-wide Risk Management Framework.

The Group runs mandatory online and face-to-face training programmes for all employees covering ethical conduct, risk and control management, and regulatory requirements. A divisional internal control and Risk Management self-certification process is also performed semi-annually. Each business unit is required to confirm that it is in compliance with the Group's policies and governance procedures and is managing its risk within appetite. Internal Audit provides regular reports to the Audit Committee on the adequacy and effectiveness of the Group's system of internal controls and the Group's risk framework.

In addition, the Chairman had regular meetings with the Chief Risk Officer to discuss the Group's key and emerging risks. Further detail on the Group's Risk Management oversight can be found on pages 44–45. An overview of the Principal Risks and Uncertainties of the Group is provided on pages 46–53.

Internal Controls

Management structure

LSEG has a clearly defined organisational structure within which individual responsibilities are identified and are monitored. The day-to-day running of the Group is managed by an Executive Committee, which is chaired by the Group Chief Executive Officer.

The Group operates a matrix structure designed to optimise resource allocation and organisational capacity. Each Executive Committee member is responsible for one of the Group's operating divisions or a major area of strategic importance and each legal entity is responsible for engaging with local regulators and ensuring regulatory compliance. The Executive Committee meets regularly to review business and financial performance, risk exposure and to approve key decisions.

Under the matrix structure, lines of responsibility have been clearly defined and an appropriate framework of delegated authorities is in place. The Group continues to monitor the functioning of and implement improvements to its Risk Management Framework to ensure it is fit for purpose for its new size and current ambitions.

Personnel conduct

The quality of LSEG's personnel is seen as an essential part of the control environment. Integrity and competence is ensured through high recruitment standards and the provision of continual training and professional development. LSEG assess the risk culture of the senior executives as described in the Risk Management section on page 44.

The Group has in place internal control and Risk Management systems in relation to operational, compliance accounting and financial reporting processes. These include:

- The application of Group accounting policies, which are updated regularly in accordance with new relevant accounting standards
- Robust finance systems to record, consolidate and report all financial information
- A comprehensive budgeting and financial planning process, with an annual budget and 3 year business plan approved by the Board, and financial and key performance indicators reviewed against budget on a monthly basis at a group, divisional and business unit level. Revised forecasts for the year are prepared on a quarterly basis
- A system of delegation of authority including the approval of expenditure up to set financial limits
- The Chief Financial Officer's management reports, used by the Executive Committee and which contain key financial information and performance indicators, are shared with the Group Board and any key issues are reviewed at each Board meeting
- Well defined governance around capital commitments, investments approval and new products development
- The Executive Financial Risk Committee oversees risks related to capital, investments, tax and counterparties
- As part of its remit, the Financial Risk Committee oversees the activities of the Group's Treasury function through its Treasury Committee, which is chaired by the Chief Financial Officer
- The Treasury Committee operates within Board approved policy and meets regularly to review the management of the Group's credit, market and liquidity risks
- The Executive New Products and Markets Committee oversees all new organic business activities
- The Executive Investment Committee monitors capital expenditures across the Group and helps the Executive Committee approve and prioritise projects

Internal Audit

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

The independence of the Internal Audit function from Executive Management is achieved through the following means:

- The Group Head of Internal Audit reports directly to the Chairman of the Audit Committee of the Board and has direct access to the Chairman of the Board. The Group Head of Internal Audit has a secondary reporting line to the Chief Financial Officer for administrative matters
- The performance of the Group Head of Internal Audit is assessed jointly by the Chairman of the Audit Committee, the Chief Executive Officer and the Chief Financial Officer
- The Audit Committee must be consulted on the appointment or the dismissal of the Group Head of Internal Audit
- The Audit Committee approves the annual budget and the resourcing plan for internal audit

Further details on the Internal Audit function can be found in the internal audit charter which is reviewed annually and available from the Group Company Secretary or the Group's website at www.lseg.com/about-london-stock-exchange-group/corporate-responsibility/ethics-and-governance.

Conclusion

The Board confirms that, through the Audit Committee and the Risk Committee, it has reviewed the operation and effectiveness of the Group's system of internal controls throughout the year and up to the date of approval of this Annual Report. The Board has satisfied itself that a robust assessments of the principal risks facing the Company, including those that would threaten its business model, future performance and liquidity, have been carried out during the year. Necessary actions have been or are being taken to remedy any significant failings or weaknesses identified during these reviews. The Board is satisfied that the Risk Management process and system of internal controls conform with the 2014 FRC's Risk management, internal control and related financial and business reporting ("Risk Guidance").

Report of the Nomination Committee



Donald Brydon CBE

Chairman of the Nomination Committee

The Nomination Committee members as at 31 December 2015 were Donald Brydon (Chairman), Paul Heiden, Stephen O'Connor and Mary Schapiro (appointed to the Committee in December 2015). The Committee's role is to review the size, structure and skills of the Board, consider succession planning and make recommendations to the Board on potential candidates for Board membership.

This year the Committee's work has focused on Chairman and Board succession planning which it did in 6 formal meetings and frequent informal exchanges. The Committee's main activities included:

- overseeing the appointment of a new Chairman to replace Chris Gibson-Smith, which was led by the Senior Independent Director supported by other members of the Nomination Committee
- advising the Board on the continued refreshment of its composition and leadership having considered the existing skills, knowledge, independence and experience of the Board

Appointment of Chairman

The Committee retained the services of executive search consultants, Spencer Stuart, who worked closely with the Senior Independent Director and members of the Nomination Committee to identify the new Chairman. Other than for provision of these services and services relating to appointments to the Board of London Stock Exchange Group plc and its subsidiaries, Spencer Stuart has no connection with London Stock Exchange Group.

A number of high calibre candidates were identified, evaluated and screened by the consultants and the Nomination Committee and other members of the Board. An initial long list was considered by the Committee after which a short list was created. All candidates on the short list were interviewed by the members of the Committee and the CEO. I was appointed having met all Board members and following a decision of the Board.

Non-Executive Director Appointments

The Committee considered wider Board composition and appointed Mary Schapiro, David Nish and Lex Hoogduin to the Board during 2015. Mary was appointed as an independent Non-Executive Director on 1 July 2015 and brings experience of US markets and regulation. We also identified the need for greater FTSE 100 and Investor experience within the Board and David Nish was appointed on 4 December 2015 as an independent Non-Executive Director. Further, given the importance of LCH.Clearnet to the Group, the Board also agreed to appoint the LCH.Clearnet Group Chairman, Lex Hoogduin, to the London Stock Exchange Group plc Board as a non-independent, Non-Executive Director on 4 December 2015. The Committee was again supported by Spencer Stuart.

Gender Diversity

The Board and the Committee supports the Davies Review's conclusion that greater efforts should be made in improving the gender balance of corporate boards and that quotas for female Board representation are not the preferred approach. The Committee and the Board have sought to ensure that appointments are of the best candidates to promote the success of the Company and the Group and that appointments are based on merit, with due regard for the benefits of diversity on the Board, including gender. Mary Schapiro was appointed to the Board in July 2015. The Board's diversity policy can be found at: www.lseg.com/about-london-stock-exchange-group/corporate-responsibility/ethics-and-governance. Further details of the Company's approach to diversity can be found at page 37.

Donald Brydon

Chairman
4 March 2016

Complying with the provisions of the Code

The Group is committed to the highest standards of corporate governance and business integrity in all of its activities. Throughout the year, the Company has complied with all principles of the UK Governance Code ("the Code"). The Code sets out guidance in the form of main principles and more specific provisions for good governance in relation to Board leadership, effectiveness, accountability, remuneration and relations with shareholders. Further information on the Code, its applicability, the principles and their provisions can be found on the Financial Reporting Council's website, at www.frc.org.uk. This table forms part of the Corporate Governance Statement on page 91 of the Directors' Report.

A. Leadership

A.1 Role of the Board

The Board is the principal decision-making forum for the Group and is responsible to shareholders for achieving the Group's strategic objectives and delivering sustainable growth in shareholder value. Directors act in a way they consider will promote the long-term success of the Company, by constructively challenging and supporting the development of the Group's strategy, for the benefit of shareholders as a whole, with regard to the interests of the Group's employees, the impact of the business on the community and environment and the interests of other stakeholders. The Board manages the overall control of the Group's affairs with reference to the formal schedule of matters reserved for the Board. This schedule is available on the Company's website at www.lseg.com/about-london-stock-exchange-group/corporate-responsibility/ethics-and-governance. The Board views the brands and reputations of its subsidiaries as important assets of the Group. Accordingly, protection of the brand and reputation of the Group, including ensuring that subsidiaries continue to meet local legal requirements, is also a key part of the Board's role.

Board Committees

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

A.2 Division of Responsibilities

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

Chief Executive

- formulates the strategic direction of the Group and periodically agrees this with the Board
- ensures proper financial and business control is exercised within the Group
- chairs the Group Executive Committee

- ensures there is a clear management structure with appropriately delegated responsibilities, staffed by suitably experienced and qualified staff
- ensures appropriate reporting and communication systems are established across the Group
- ensures key performance objectives are set for all operational departments; action plans and budgetary controls are established; and, where necessary, corrective action is taken to maximise the performance of the Group
- ensures the Group's strategy and values are effectively understood and applied by management and staff
- ensures an appropriate Risk Management framework is in operation

A.3 Chairman

- chairs the Board of the Company
- forges an effective Board based on experience, diversity, skills and competencies
- ensures, in collaboration with the Chief Executive, that the Board considers the strategic issues facing the Group in a timely manner and is presented with sound information and analysis appropriate to the decisions that it is asked to make
- acts as a sounding board for the Chief Executive and provides general advice relating to the management and development of the Group's business
- supports the commercial activities of the Group by, inter alia, maintaining contact with the Group's key stakeholders and other industry participants

A.4 Non-Executive Directors

Non-Executive Directors are urged to challenge constructively and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. On 25 March 2015 Mr Robert Webb QC was succeeded by Mr Paul Heiden as Senior Independent Director. The responsibilities of the Senior Independent Director include meeting major shareholders as an alternative contact to the Chairman, Chief Executive or Chief Financial Officer.

B. Effectiveness

B.1 The Composition of the Board

There is a strong non-executive element on the Board, and the Non-Executive Directors provide deep corporate experience and knowledge which they apply to their understanding of the Group and its strategy. The Board has 9 Independent Non-Executive Directors. In assessing each Director's independence, the Board considered whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. In evaluating Directors' independence, the Board has taken into consideration the guidance provided by the Code. The Code requires a company to state its reasons if it determines that a Director is independent in certain circumstances including those where a Director indirectly has a material business relationship with the Company as a Director of a body that has such relationship with the Company, or has had in the last 3 years, and where a Director has served on the Board for more than 9 years.

Andrea Munari is Chief Executive Officer of BNP Paribas in Italy and a member of BNP Paribas' Executive Committee. BNP Paribas is a customer of the Group. Given the size of BNP Paribas, BNP Paribas' relationship with the Company and its subsidiaries is not material to BNP Paribas. The Board benefits greatly from Mr Munari's current experience in financial markets and the Risk Committee also benefits from Mr Munari's experience of risk management in a financial services company.

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

B.2 Appointments to the Board

The Board has a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Board has established a Nomination Committee which leads the process for Board appointments and makes recommendations to the Board. The Report from the Nomination Committee on page 61, outlines the changes to the Board that took place during the year.

B.3 Commitment

The other significant commitments of the Chairman and the Board are set out at pages 54–56. The Board is satisfied that these do not conflict with their duties and time commitments as Directors of the Company.

B.4 Development

Directors are encouraged to continually update their skills and knowledge of the business, and briefings are regularly given at Board meetings on particular parts of the business. During the year, the Board attended a number of presentations outside Board meetings including on Cyber Risk and the AIM market. The Board also continued its practice of undertaking formal visits to its overseas businesses so that the Directors can experience key aspects of the Group's operations first hand.

Each new Director joining the Board is provided with an induction programme covering the key business areas of the Group and including meetings with members of the Executive Committee, other senior managers and external advisers. Directors are provided with key documents including those covering strategy, past Board papers, an overview of the Business, and information on Directors' responsibilities including under the Listing Rules and the Code. Directors are encouraged to meet with executives on an ongoing basis to better understand each of the business areas together with the Group's governance, financial and legal framework.

B.5 Information and Support

The Directors have full access to the advice and services of the Group Company Secretary, who is responsible for advising the Board on corporate governance matters. Directors also have access to independent professional advice if they judge it necessary to fulfil their responsibilities as Directors.

B.6 Evaluation

The Board conducts an annual evaluation of its effectiveness and acts on the results of the review. During the year, the Board carried out an internal review of its own effectiveness and that of its Committees and Directors and the results of that review are detailed on page 59 of the Corporate Governance Report, together with actions taken following the 2014 effectiveness review.

B.7 Re-Election

Each Director is subject to election at the first AGM following their appointment. In line with the Code, all Directors are subject to annual re-election.

C. Accountability**C.1 Financial and Business Reporting**

A statement of the Directors' responsibilities regarding the financial statements, including the status of the Group and Company as a going concern is set out on page 91. An explanation of the Group's strategy and business model, together with relevant risks and performance risks and performance metrics are set out on pages 8–15. A further statement is provided on page 91 confirming that the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position, performance, business model and strategy.

C.2 Risk Management and Internal Control

The Board has overall responsibility for the sponsorship of a strong risk culture across the Group and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It approves the Risk Appetite each year as part of the strategic business objectives, and ensures there is an ongoing process for identifying, evaluating, and managing the principal risks faced by the Company. The Board has delegated a number of responsibilities to the Risk Committee including oversight of internal Risk Management processes. The report from the Risk Committee can be found on pages 68–69. In accordance with paragraph C.2.2 of the Code an explanation of how the Directors have assessed the prospects of the Company is included in the section headed Financial viability statement on page 90.

C.3 Audit Committee and Auditors

The Audit Committee Report on pages 64–67 sets out details of the composition of the Committee, including the expertise of members, and outlines how the Committee has discharged its responsibilities during 2015. The Board has delegated a number of responsibilities to the Audit Committee, including oversight of the Group's financial reporting processes and management of the external auditor.

D. Remuneration**D.1 The Level and Components of Remuneration**

The Directors' Remuneration Report on pages 70–87 outlines the activities of the Remuneration Committee during 2015 and the implementation of the Remuneration Policy during 2015 (including salary, bonus and share awards and payments for loss of office paid to Directors). The Remuneration Policy was subject to a binding shareholder vote at the 2014 AGM and was passed with 95% support. It is available on the Group's website at: www.lseg.com/investor-relations/shareholder-services/agsm-information. There have been no changes to the policy during the financial year and the Board believes that the Group's current Remuneration Policy, remains appropriate and fit for purpose.

D.2 Procedure

The Board has delegated responsibilities to the Remuneration Committee including the remuneration of the Chairman and Executive Directors.

E. Relations with Shareholders**E.1 Dialogue with Shareholders**

The Company maintains an active shareholder engagement programme, managed through the Group's Investor Relations ("IR") function. The IR programme provides regular opportunity for contact with existing and potential shareholders, as well as sell-side analysts that produce investment research relating to the Group. IR activities include meetings, calls, presentations and information releases on a regular basis throughout the year, based around the Group's financial reporting calendar and following major corporate events and news flow. For more detail on the Group's IR activities, please see page 59 of the Corporate Governance Report.

E.2 Constructive Use of General Meetings

The Group's AGM provides the opportunity for all shareholders to meet the Directors and to put questions to the Board. Procedures for the AGM are compliant with the Code, with voting by way of a poll to ensure all shareholders' views are taken into account.

Report of the Audit Committee



Paul Heiden
Chairman of the Audit Committee

The Audit Committee members as at 31 December 2015 were: Paul Heiden (Senior Independent Director), Jacques Aigrain, Baroness (Sharon) Bowles, David Nish and Stephen O'Connor.

This report is intended to give an overview of the role of the Audit Committee in assisting the Board to fulfil its oversight responsibilities relating to the monitoring of the system of internal control, the independence of the external auditors and the integrity of the Group's financial statements. It details the activities, discussions and decisions that enabled the Audit Committee to effectively fulfil its objectives during 2015.

During the year, the Committee focused on the key following priorities:

- The Committee continued to monitor the sale of the Investment Management division of the Frank Russell Company, including the review of the tax and accounting implications of the transaction. The Committee satisfied itself that the Executives in charge were managing all the aspects of the transaction effectively
- The Committee received and discussed the external audit management letter from Ernst & Young LLP ("EY"). The letter highlighted a number of areas for improvement, in particular regarding the formalisation and better documentation of some control activities. These were noted by the Committee for follow-up
- The Committee discussed and approved the tax strategy of the Group in the context of changes in the tax landscape in the UK and abroad, in particular HMRC's consultation on UK Large Business Compliance and the OECD's Base Erosion and Profit Shifting Project ("BEPS"). The Committee agreed that the Group's tax strategy continued to support the delivery of the Group's corporate and risk management objectives in an efficient manner and in compliance with all fiscal, legal and regulatory requirements
- The Committee continued to monitor the alignment of the control environment of recent acquisitions with the Group internal control framework. It satisfied itself that these acquisitions (including the index division of the Frank Russell Company) were being integrated according to plan and were meeting the financial objectives of the Group
- The Committee discussed a number of internal audit reports during the year and satisfied itself that management action plans were in place to address the recommended improvements
- The Committee received reports from Group Finance on the status of the implementation of the new Group-wide financial system throughout the year and satisfied itself that the project remained on track to deliver a more efficient process for financial reporting in 2016

- The Committee reviewed and discussed the results of the external assessment of the Group Internal Audit function performed by a specialised expert firm as per the guidelines of the Institute of Internal Auditors ("IIA"). The review was performed between March and July 2015. The Internal Audit function was rated as "Generally conforms to the IIA standards" which is the highest rating available for an external assessment. In addition the Group Internal Audit function achieved the highest rating on all the standards examined (44 in total). The external assessor also highlighted areas for further improvement in methodology and communication which are being addressed as part of an action plan approved by the Audit Committee

Priorities in the forthcoming year will include:

- Receiving assurance that the control environment remains robust to support the continued growth and diversification of the Group's activities; including all major projects, as well as key processes such as Business Continuity Planning and disaster recovery
- Monitoring the progress of the integration of the Russell Index business with the existing FTSE platform
- Closely following the implementation and testing of the final phases of the new global finance system
- Receiving early and continuous understanding of the impact of the Group's acquisitions and divestitures on financial and tax accounting

A handwritten signature in black ink, appearing to read 'P Heiden', written over a white background.

Paul Heiden
Chairman of the Audit Committee
4 March 2016

Role and responsibilities of the Audit Committee

1. Financial reporting

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

2. Internal controls and Risk Management systems

The Committee keeps under review the effectiveness of the Group's system of internal control and Risk Management. In order to do this, the Committee considers reports from Executive Management, the Risk Management function and the Internal Audit function. The Audit Committee makes recommendations to the Board regarding the effectiveness of the Group's internal control and Risk Management systems and recommends to the Board the statements to be included in the Annual Report concerning internal controls and Risk Management (in collaboration with the Risk Committee). The Committee also monitors and reviews the effectiveness of the Group's Internal Audit function, ensuring that it has adequate resources and appropriate access to information to perform its function independently from Executive Management.

3. External auditors

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

The Committee has complied with the relevant parts of the Competition and Markets Authority Final Order on the statutory audit market for the year ended 31 December 2015.

4. Other matters

Treasury

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

Whistleblowing and fraud

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

Composition and meetings

The Committee meets the requirements of the Code. It is comprised of 5 independent Non-Executive Directors who all bring recent and relevant financial experience. It is chaired by Paul Heiden who is a qualified chartered accountant with a career in a variety of senior finance roles. The other members are Jacques Aigrain, Sharon Bowles, David Nish (appointed to the Committee on 9 December 2015) and Stephen O'Connor. The skills and experience of each Committee member are provided in the Board of Directors section on pages 54–56.

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

The Committee met 4 times during the year.

Further details on the functioning of the Audit Committee can be found in the Committee's terms of reference which are reviewed annually and available from the Group Company Secretary or in the corporate governance section of the Group's website at: www.lseg.com/about-london-stock-exchange-group/corporate-responsibility/ethics-and-governance.

Activities in 2015

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

Financial matters:

With regards to financial matters, the Committee reviewed, discussed and approved the half year and full year financial results. It reviewed, discussed and approved key accounting judgements, the annual review for goodwill impairment and management's view of commitments and contingencies and the adequacy of the proposed disclosures.

Finally, the Committee also thoroughly reviewed and discussed the divestiture of the Investment Management division of the Frank Russell Company and its impact on the Group's accounts as well as other smaller M&A activities. For more details on the main discussions and decisions reached by the Committee on financial matters see the section below entitled "Significant matters impacting the financial statements" and "Other topics of discussion in respect to the financial statements".

Internal controls:

– The Committee continued to exercise disciplined oversight of the effectiveness of the Group's internal controls throughout the year. It fulfilled its responsibilities by reviewing and discussing regular reports from the external auditors, the Internal Audit and Risk Management functions as well as from external experts, including:

- Reports on compliance with the Code – internal controls (including whistle-blowing) at half year and year end
- Quarterly updates on internal audit plans including internal control issues raised and management actions to remedy the deficiencies
- Annual Report on the performance of internal audit

The Committee obtained additional comfort by meeting with the Head of Internal Audit at each Audit Committee meeting without Executive Management present.

The Audit Committee also reviewed and approved the updated Internal Audit charter, reviewed the internal audit manual and approved the internal audit plan including the auditing approach, the coverage and the allocation of resources for the function.

The activities of the Committee related to internal controls enabled it to satisfy itself that the Internal Audit function is independent, objective and adequately staffed to perform its duties. In addition the Committee relied on the assurance process throughout the year to recommend to the full Board that it could report to shareholders on the effectiveness of the Group's internal control system. The Board statement can be found on page 91.

Report of the Audit Committee continued

Oversight of the external auditors:

The Committee assessed the independence and quality of the Group's external auditors (EY) throughout the year. It received interim reports from EY on the status of their plan and the results of their work. The external auditors' reports were discussed at each Committee meeting and their views and opinions used to challenge decisions by Group Finance. In addition the Committee held separate meetings with EY's partners at each Committee meeting without management being present.

The Audit Committee also received a report from management on their evaluation of the effectiveness of the external auditors. This report assessed the quality of the auditors across a number of areas and measures of relevance and quality of their work as well as their level of independence.

On the basis of their own interaction with EY and with the support of Management's report, the Audit Committee confirmed that the services provided by EY were appropriate and in compliance with relevant auditor independence and integrity rules.

The Committee approved the EY audit plan, the methodology used, the scope of the audits by location, the risks and areas of focus as well as the materiality threshold for the Group and the threshold for reporting unadjusted audit differences. The Group materiality remained fixed as a percentage of Profit Before Tax ("PBT")¹ but the change from a 9 month period (April–Dec 2014) to a 12 month period (Jan–Dec 2015) has resulted in an increase in materiality in absolute value.

Report on external auditors and safeguards on non-audit services

A breakdown of audit and non-audit service fees paid and payable to the external auditors for the year ended 31 December 2015 and prior period is provided below and in note 35 to the financial statements. On 12 June 2014, the Group appointed EY as its external auditors, replacing PricewaterhouseCoopers LLP ("PwC").

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	£m
Audit services		
Audit of parent company and consolidated accounts	0.5	0.7
Audit of subsidiary companies	1.5	1.0
Audit related assurance services	0.2	0.3
Other non-audit services:		
– Taxation	0.3	0.1
– Other assurance services	0.1	0.1
Total expenses	2.6	2.2

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

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

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

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

Other matters:

As part of its regular annual activities the Committee assessed its own effectiveness, and reviewed and updated its terms of reference to reflect the changes in the Group and the corporate governance context. There were no major modifications to the functioning of the Committee resulting from these activities.

Significant matters impacting the financial statements

Significant matters

for January – December 2015	How the Committee reviewed these matters and what decisions were taken
Revenue recognition	The Audit Committee reviewed the external auditors' comments on the recognition of some revenues (see EY audit opinion on page 92). The Audit Committee was satisfied that sufficient analysis had been performed in this area and that the Finance function had put in place a plan to ensure that all aged accruals are reviewed on a timely basis.
Goodwill and intangibles impairment assessment	The Audit Committee considered the approach and methodology applied to performing the annual goodwill impairment assessment as well as the assessment for indications of impairment of other intangible assets as required under IAS 36, including the key assumptions for short and long-term growth rates, cash-flow expectations and the discount rate used for the Group's cost of capital. The impairment review was also an area of focus for the external auditors, who reported their findings to the Committee. Details can be found in note 14 to the financial statements on pages 122–124.
Other non-recurring items	The principal non-recurring costs recognised relate to costs incurred in relation to the Russell separation and potential disposal and the final fees for the acquisition of the Frank Russell Company. Details of non-recurring items can be found in note 7 on page 116.

1. The PBT measure is adjusted for certain items at the Committee's request such as the exclusion of the results of the Investment Management division of the Frank Russell Company. This is noted in the EY audit opinion on page 92.

Other topics of discussion in respect to the financial statements:**Commitments and contingencies:**

The Audit Committee considered the facts and circumstances surrounding commitments and contingencies for the Group. The Committee agreed that no provision needed to be recorded in the financial statements. See note 29 on page 141.

Non-recurring items:

The Committee discussed and agreed on non-recurring items in the financial statements for the year. These are presented on page 116 of the financial statements.

Disposal of the Investment Management division of the Frank Russell Company:

On 8 October 2015, the Group announced that it had agreed the proposed sale of Frank Russell Company's asset management business ("Russell Investments") to TA Associates. The gross proceeds will be US\$1,150 million (£752 million) in cash. This transaction is subject to achieving regulatory and other approvals. Completion will occur in H1 2016. The disclosures that were prepared for reporting Russell Investments as held for sale for the interim report have been replicated in the Annual Report. For more details please see the note on discontinued operations (note 10 on pages 118–120).

Disposal of Proquote UK:

On 15 September 2015 the Group confirmed the sale of Proquote to IRESS for c.£22 million. This transaction was completed at the end of October 2015 and recognised as a non-recurring profit. For more details please refer to the note on discontinued operations (note 10 on pages 118–120).

Financial viability statement

The Financial viability statement was introduced by the Code in 2014, the adoption of which is required for listed companies with accounting periods starting on or after 1 October 2014. In order to meet the requirements of the Code, the Board needs to explain how it has assessed the prospects of the Group taking into account the current position and principal risks, and over what period they have done so along with why they consider that period to be appropriate.

The Audit Committee discussed the key elements required to make the statement, i.e.:

- Deciding on the appropriate period to cover
- Identifying and describing the relevant evidence and assumptions and ensuring that the various planning scenarios were realistic, taking into account the business, industry and macro-economic factors
- Making an assessment that is appropriate to the Company's circumstances
- Applying appropriate stress testing and reverse stress testing

The Audit Committee satisfied itself that the Board of Directors was in a position to make the statement using the Group Stress testing methodology.

The Financial viability statement can be found within the Directors' Report on page 90.

Fair balanced and understandable Annual Report

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

– Fair:

- The Annual Report does not omit important or sensitive elements necessary to understand the strategy, performance and business model of the Group
- Segmental reporting accurately describes the various activities of the Group and their relative contributions to the strategy, performance and business model of the Group
- The messages in the Strategic Report and the CEO and Chairman's reports are consistent with the financial reporting section

– Balanced:

- There is an appropriate balance between the required statutory accounting metrics and Group-specific adjusted measures
- The messages in all sections appropriately balance the favourable and less favourable events and trends affecting the strategy and performance of the Group
- The principal risks presented in the Strategic Report on pages 46–53 accurately reflect the risk registers which are used to set the risk appetite and the strategy of the Group, including those risks which would threaten its business model, future performance, solvency and liquidity

– Understandable:

- There is a clear and comprehensive framework for the Annual Report
- The key messages are adequately highlighted in simple language avoiding specialised terms and acronyms wherever possible
- There is a glossary of technical terms and acronyms used frequently across the report
- The relevant information for shareholders is easy to find and appropriately cross-referenced where necessary without additional clutter (The 2015 Annual Report comprises 158 pages compared to the 170 pages of the 2014 report)
- The various sections taken together present a consistent and easy to comprehend overview of the strategy, performance and business model of the Group

Report of the Risk Committee



Stephen O'Connor
Chairman of the Risk Committee

The Risk Committee members as at 31 December 2015 were Stephen O'Connor, Paul Heiden, Stuart Lewis, Andrea Munari and David Nish.

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

During the year ended 31 December 2015, the Committee met 4 times. A key focus of the Committee was further developing and embedding a robust risk culture framework that represents the foundation for the strong Risk Management capabilities in the Company. During the year, the Committee oversaw the risk assessment and integration of the Index operations of the Frank Russell Company. In addition, the development of an economic capital model and other tools to manage the financial and strategic risks of the enlarged Group were areas of focus, together with the adequacy of the Group's cyber security framework.

The Committee is responsible for recommending Risk Appetite to the Board and for monitoring risk compared to the agreed appetite. The Group Risk Appetite was refreshed and ratified by the Board during the year.

Priorities in the forthcoming year will be to oversee the further embedding of core Risk Management standards across all the Group's entities and on the monitoring of the risk culture of the enlarged Group. The Committee will continue to review, on a rotational basis, the risk profile of each of the Group's main lines of business and key legal entities. The Committee will also analyse and respond to emerging risks which might arise from the changing macroeconomic climate and other factors.

A handwritten signature in black ink, appearing to read 'S O'Connor', written in a cursive style.

Stephen O'Connor
Chairman of the Risk Committee
4 March 2016

Composition and responsibilities

The Committee is chaired by Stephen O'Connor who provides recent and relevant financial and Risk Management experience through his career in a variety of senior executive roles in the financial services industry. In addition, the Board is satisfied that each member of the Committee has the skills and experience necessary to enable the Committee to discharge its responsibilities effectively. Details of the members of the Risk Committee are provided on pages 68.

In order to avoid potential duplication of coverage by the Audit and Risk Committees, and more importantly, to reduce the potential for non-coverage of important risk matters, the Chairmen of both the Risk and Audit Committees sit on both Committees.

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

Activities

The Committee maintains a formal agenda which ensures that all matters for which the Committee is responsible are considered at the appropriate meeting. During the year, the Committee discharged its responsibilities as set out in its terms of reference by reviewing the following:

- Robust reviews of principal risks
- The reports on risk exposures of the Company and on emerging risks
- Review and recommendation to the Board of the Group Risk Appetite, including scenarios testing results
- The further development and implementation of the Company's Group-wide counterparty risk aggregation and monitoring the VaR model
- The monitoring of the delivery of actions to manage risks within risk appetite
- The effectiveness programme in place to further align the Risk Management Framework of the Group and its subsidiaries
- The oversight of the FTSE/Frank Russell Index business integration
- Regulatory compliance reports and the actions in place to ensure ongoing compliance
- The review of the adequacy and effectiveness of the systems of the internal controls in place to manage key risks
- The effectiveness of the Group's Enterprise Risk Management Framework and of the Risk function
- The monitoring of the Frank Russell IM business, held for sale, risk and compliance management
- Pension plan strategic reviews
- The adequacy of the counterparty limits
- Compliance with the Group Risk Management procedures as described in the section on internal controls on page 60
- The adequacy of the Business Continuity Management plans and management programme
- Approval and recommendation for approval of key risk policies and risk committees terms of reference
- Recommendation by the Chairman to the Remuneration Committee on Executive performance related to risk culture (awareness, transparency and accountability)
- Regular reviews of the risk profile of the 2 largest business areas: of LCH.Clearnet and of FTSE/Russell
- The monitoring of the roll out of the mandatory training programme on ethics, risks, controls and compliance

In addition, the Committee reviews the risk profile of the Group on a regular basis and comments on the adequacy of the processes in place to identify and report on key risks. It also reviews the risk profile of the major Group subsidiaries/divisions on an individual basis. During the year, it reviewed the LCH.Clearnet and the FTSE risk profiles. It advises the Board on the Company's overall risk appetite, tolerance and strategy, and keeps under review the adequacy of the Enterprise Risk Management Framework and its use in the decision-making process, which includes the review of parameters used in the models and methodology adopted. It sets the standards for the accurate and timely reporting of key risks and for certain risk types of critical importance, such as technology, business resilience, CCP operations, counterparty and reputation risks. It also receives reports on compliance with relevant regulatory requirements for each regulated entity of the Group.

Risk Management function

During the year, the risk function continued embedding the Group's Enterprise-wide Risk Management Framework across all the Group subsidiaries/divisions through the monitoring of key risk indicators. It also implemented a Group-wide counterparty VaR model and will focus on the further development of Group Economic Capital model.

The function is centralised at Group level with the exception of the Group's clearing houses which have their own risk teams in compliance with the EMIR requirements. The risk function's main role is to maintain a fit for purpose Group Enterprise Risk Management Framework and recommend to the Risk Committee and to the Board Risk Appetite statements. It reviews and monitors the risk profile of the Group and of its subsidiaries and ensures it remains within risk appetite.

The function supports the Risk Committee members by providing reports on the Group's risk profile and timely escalation of exceptions. It also monitors compliance with rules and regulations and develops and maintains frameworks to facilitate the identification, assessment, reporting and monitoring of all the principal risks that could materially impact the reputation, financial position or operations of the Group. Information provided by the risk function informs the Committee on the risk culture of the Group.

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

The Committee meets with the CRO without the presence of management on a regular basis.

Directors' Remuneration Report

Statement by the Chairman of the Remuneration Committee



Jacques Aigrain

Chairman of the Remuneration Committee

On behalf of the Board, I present the Directors' Remuneration Report for the financial year ended 31 December 2015. We intend to continue to operate under our shareholder-approved policy and therefore only the Annual Report on Remuneration is subject to a shareholder vote at our upcoming AGM. We have consulted extensively with our shareholders during 2015 (and acted upon their feedback) on the amendments for 2016 that remain within our current, approved policy. Our Remuneration Policy Report, as approved by shareholders at our July 2014 AGM, is available on the Group website: www.lseg.com/investor-relations/presentations-and-webcasts/annual-reports.

Performance and pay outcomes in the year

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

Under the strong leadership of our Chief Executive, Xavier Rolet, the Group delivered a robust financial performance with adjusted total income of £2,381.5 million (FY2014: £1,043.9 million) and total revenue of £2,285.4 million (FY2014: £971.4 million), including a full years contribution from Frank Russell Company Investment Management of £953.1 million. On an organic constant currency basis adjusted total income was up 2% with an increase in revenue from the core business segments and flat net treasury income. Adjusted operating profit rose to £709.6 million (CY2014: £558.0 million) due to the inclusion of Frank Russell Company for the full year.

We continue to focus on strong cost discipline during a period of heightened capital expenditure as we integrate new operations, focusing on efficient new technology and investing for future growth. We remain on track to deliver the cost efficiencies and synergies at LCH.Clearnet and FTSE Russell.

As announced in October 2015, the Group has agreed the disposal of Frank Russell Company's investment management business for gross proceeds of US\$1,150 million. Completion is expected in H1 2016. The integration of our 2 leading index businesses into the single brand of FTSE Russell has significantly strengthened the Group's global offering in Intellectual Property, with around US\$10 trillion assets under management benchmarked to its indexes.

In our Capital Markets division, revenues for the year increased by 3% in constant currency terms to £330.3 million, down 1% in sterling terms (2014: £333.2 million).

FY2015 income for Post Trade Services in Italy increased by 3% in constant currency terms. In sterling terms income declined 8% to £119.1 million. CC&G cleared 120.1 million trades, up 10%. Monte Titoli was the largest CSD to participate in the initial wave of T2S and was fully operational at the end of August 2015.

LCH.Clearnet's income for FY2015 was £360.7 million. Excluding London Metal Exchange (LME), clearing revenue in 2014 income increased 7% on a constant currency basis. SwapClear, the world's leading interest rate swap clearing service, cleared US\$533 trillion notional, down 17%. Client clearing trades cleared increased 67%.

FY2015 revenues for the Technology division increased by 22% to £80.6 million (2014: £66.0 million). A range of key worldwide technology deliveries and agreements were completed, with financial sector firms from Canada, India, Morocco, Peru and South Africa. Exactpro Systems was acquired; this new subsidiary specialises in functional and non-functional testing of systems that process wholesale financial products across many asset classes. In addition the Shared Service Company was launched, initially providing a range of technology services Group-wide, supporting our business and external clients.

Bonus outcomes for Executive Directors

As a result of the Group's performance and strong individual performance, the Committee determined that the Executive Directors will be awarded bonuses of between 83% and 95% of their maximum opportunity.

LTIP actual vesting in 2015 and forecast vesting for 2016

50% of the Long Term Incentive Plan (LTIP) awards made in 2012 vested during 2015, due to TSR performance in the period. EPS increased from 92.6p (FY2012) to 103.3p (CY2014) over the period to the end of December 2014, resulting in 0% of the EPS element vesting. TSR more than doubled over the period to June 2015, resulting in 100% of the TSR element vesting. As shown in our 'Single total figure of remuneration' table, the TSR element of the LTIP awards made in 2013 is currently expected to vest in full, while the EPS element is expected to vest at 88.9% of the maximum.

During 2015 significant numbers of our employees (including for the first time over 100 participants in Sri Lanka) derived considerable benefit from the maturity of our 2012 Sharesave scheme, with more than a fourfold share price growth during this period. The 2015 Sharesave invitation saw the Group sustain participation in excess of 50% across all regions and pay levels.

Review of Non-Executive Directors' fees for 2016

With effect from 1 January 2016, the Board determined to simplify the fee structure. The base fee will be increased from £60,000 to £70,000 per annum but there are no longer any fees payable for membership of the various Committees. In addition the fees for Audit, Risk and Remuneration Chairs were increased from £20,000 to £30,000 per annum and the Senior Independent Director fee was also increased from £120,000 to £140,000 per annum.

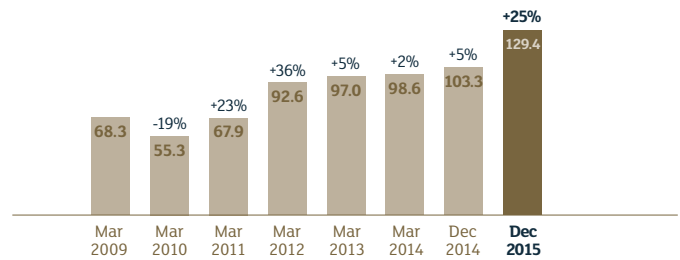
Salary review for Executive Directors

During the year, the Committee conducted its annual review of the base salary levels of our Executive Directors. In recognition of the significant track record of growth and performance, the Committee has decided to increase the Chief Executive's salary from £750,000 to £800,000 (+7%). The overall rationale for this approach is as follows:

Strategic delivery

Xavier Rolet has been a very successful CEO since his appointment in 2009, and the Group has been transformed into a successful global international exchange group through a combination of organic and inorganic growth. Strategic acquisitions and integrations (including FTSE, LCH.Clearnet and Russell Indices) have increased the size, scope, breadth of product offerings and the Group's international footprint. Xavier Rolet has been instrumental in the Group's success over this period and we are keen to reward him appropriately for the future, reflecting the new reality of LSEG that he leads.

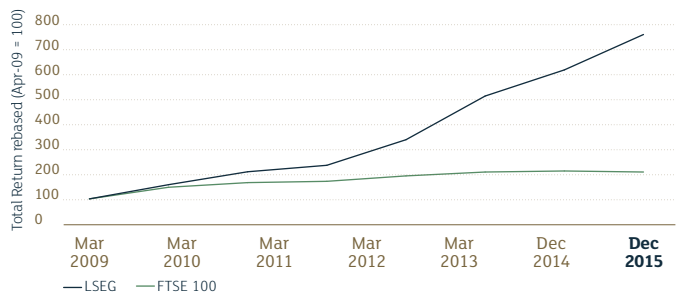
Growth in AEPS (pence)



Global focus

LSEG is now a diversified international market infrastructure and capital markets business with significant operations in the UK, US, Italy, France and Sri Lanka. Through its platforms, the Group offers international business and investors unrivalled access to Europe's capital markets. It is also a global leader in indexing and analytic solutions. Furthermore, the Group was positioned outside the FTSE 100 during 2009 and it is now firmly established as a FTSE 100 company, currently ranked around the median.

Increase in shareholder value



The Committee decided not to increase David Warren's salary at this review, as he received an increase last year in recognition of the significant changes to his role.

A salary increase of 2% for Raffaele Jerusalem is broadly in line with the average employee increases.

Performance targets for LTIP awards to be made in 2016

LTIP awards to be granted in 2016 will be awarded under the 2014 LTIP described in the Policy section from page 73, available on the LSEG website at: www.lseg.com/investor-relations/presentations-and-webcasts/annual-reports. Absolute TSR targets will be 6% to 14% per annum (previously 8% to 16% per annum) and there will be no change to EPS growth targets, being 6% to 12% per annum.

TSR performance since September 2010 has been exceptionally strong. The current TSR targets (8% to 16% growth per annum) have been used, unchanged, over 6 annual award cycles (2010 to 2015 inclusive). During this period of high performance, targets of 8% to 16% have become increasingly harder to achieve in each consecutive cycle and while it is appreciated that targets should continue to be stretching, they should also be achievable to remain motivational.

For 2016 LTIP awards, the Remuneration Committee consulted with major shareholders in Q4 2015 on TSR performance metrics and acted on their feedback in coming to a decision to use an amended range of 6% to 14% growth per annum. The Committee believes that this range of 6% to 14% continues to be stretching at threshold and extremely challenging at maximum vesting. Threshold vesting at 25% of the maximum remains unchanged, with straight-line pro-rating applying between these 2 points.

EPS growth targets remain 6% to 12% per annum. The Committee is satisfied that this range is still sufficiently stretching and, if delivered, will continue to drive significant value for shareholders.

The Committee believes the proposals for base salary and LTIP metrics represent a balanced and considered approach to executive remuneration arrangements in 2016.

Operation of 2016 annual bonus

The operation of the 2016 annual bonus will broadly be as per the previous year, save that the Committee has decided to increase the importance of financial performance in determining overall outcomes. Whereas for 2015, the balance between financial and strategic objectives was 50:50, for 2016 the balance will be 60:40, in line with our approved policy of at least 50% of the bonus being based on financial measures.

Review of executive remuneration policy in 2016

The Committee will be reviewing the executive remuneration arrangements in 2016 and will be seeking shareholder approval at our 2017 AGM for a new executive remuneration policy. The Committee is mindful of external market trends and investor expectations, and we will be engaging with our investors as part of this process.

Directors' Remuneration Report continued

Summary of key executive remuneration decisions

Role		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana and Director of Capital Markets
Name		Xavier Rolet	David Warren	Raffaele Jerusalmi
Previous salary (with effect from 1 April 2015)		£750,000	£465,000	€500,000
Annual salary (with effect from 1 April 2016)		£800,000 (+7%)	£465,000 (+0%)	€510,000 (+2%)
Bonus for financial year ending 31 December 2015	% of salary	213% of annual salary	172% of salary	165% of salary
	% of maximum ¹	95%	86%	83%
	£ total amount	£1,600,000	£800,000	€827,000
	Of which 50% is deferred	£800,000	£400,000	€413,500
	Deferral vehicle ¹	100% into LSEG shares	100% into LSEG shares	100% into cash
Max. bonus opportunity (% of salary)		225%	200%	200%
LTIP award (subject to performance)		300% of salary (£2,400,000)	275% of salary (£1,278,750)	Sterling equivalent of 275% of salary (€1,400,000) <i>(at prevailing fx rate at time of grant)</i>

Note:

1. Deferral vehicle elections are illustrative at this stage, based on last year's actual elections. David Warren must defer 100% into LSEG shares as he has not yet met the Minimum Shareholding Requirement (MSR). Xavier Rolet and Raffaele Jerusalmi both meet the MSR, so will be able to elect whether to defer 100% into shares, or 100% into cash, or 50% into shares and 50% into cash. Any deferral into shares will be disclosed at a later date once confirmed.

Concluding remarks

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



Jacques Aigrain

Chairman of the Remuneration Committee
4 March 2016

Introduction

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

Remuneration Policy Report

The Remuneration Policy Report was subject to a binding shareholder vote at the 2014 AGM and was passed with 95% support. There have been no changes to the policy during the financial period and the Policy Report as approved by shareholders has been reproduced on our Group website: www.lseg.com/investor-relations/presentations-and-webcasts/annual-reports.

Annual Report on Remuneration (pages 74–87)

This section sets out how remuneration arrangements have been operated during the past financial year (12 months from January to December 2015), and also provides details on how we intend to operate our policy during the coming year FY2016. This report will be put to an advisory vote at the 2016 AGM. Note that our previous financial period was the 9 months ending 31 December 2014. Therefore, in this report, prior period comparatives appropriately reference either 9-month figures or annualised calendar year 2014 figures and have been annotated accordingly.

Directors' Remuneration Report continued

Annual Report on Remuneration

This section sets out how remuneration arrangements have been operated during the past financial year (FY2015), and also provides details on how we intend to operate our policy during the coming year (FY2016). This report will be put to an advisory vote at the 2016 AGM. The information from this page to page 87 has been audited where required under the regulations and is indicated as audited where applicable.

Single total figure of remuneration for Executive Directors (Audited)

Single total figure of remuneration	Xavier Rolet				David Warren				Raffaele Jerusalem ¹¹			
	FY2015 £000	% of total	9 months to 31 Dec. 2014 £000	% of total	FY2015 £000	% of total	9 months to 31 Dec. 2014 £000	% of total	FY2015 £000	% of total	9 months to 31 Dec. 2014 £000	% of total
Fixed pay												
Salary	746		550 ¹³		455		319 ¹³		359		302 ¹³	
Flexible benefits allowance												
Benefits	20		15 ¹⁴		20		15 ¹⁴		23 ⁸		20 ⁸	
Pension	43 ³		24		159 ⁶		124		185 ⁹		182	
Other	186 ²		137 ²		114 ²		80 ²		114 ¹⁰		128	
	995	15%	726	16%	748	25%	538	24%	681	26%	632	33%
Pay for performance												
Annual bonus	1,600		1,100		800		550		600		480	
Long term incentives ¹ :												
Performance shares	2,678		1,810 ⁴		1,424		1,115 ⁷		1,348		804 ¹²	
Matching shares	1,339		894 ⁵		–		–		–		–	
	5,617	85%	3,804	84%	2,224	75%	1,665	76%	1,949	74%	1,284	67%
Total remuneration	6,612		4,530		2,972		2,203		2,630		1,916	

Notes:

- Value for Long Term Incentives shown for FY2015 represents estimated value of share awards granted in 2013 that are expected to vest in June 2016. The estimate assumes 100% vesting of the TSR element and 88.9% vesting of the EPS element. The value is based on a three-month average share price from 1 October 2015 to 31 December 2015, being £25.71.
- Annual pension allowance of 25% of salary.

Xavier Rolet

- Benefits include the cash value of private medical and life assurance, Save As You Earn (SAYE) and commuting expenses with associated taxes (including a chauffeur-driven motor car where appropriate). Mr Rolet contributed £250 per month to the SAYE plan between January and May 2015 and £500 per month between June and December 2015. SAYE has been valued based on the monthly savings amount and the discount provided (20%) between 1 January 2015 and 31 December 2015 – i.e. (£250 x 5 months + £500 x 7 months) x 20%.
- 75,272 Performance shares vested on 19 June 2015 at £24.04 per share. This equates to £1,809,539.
- 36,420 Matching shares vested on 21 June 2015 at £24.55 per share. This equates to £894,111.

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

Fixed pay

Base salary

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

Benefits

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

David Warren

- Benefits include the cash value of private medical and life assurance and expatriate allowances with associated taxes.
- 45,954 Performance shares vested on 2 July 2015 at £24.27 per share. This equates to £1,115,304.

Raffaele Jerusalem

- Benefits represent the cash value of private medical, disability and life insurance cover, luncheon vouchers, car and fuel benefit.
- Pension: mandatory INPS contributions calculated on salary, benefits and bonus for the 12-month period.
- Trattamento di Fine Rapporto mandatory arrangements calculated on salary, capped benefits, bonus and shares and paid into Mr Jerusalem's pension plan for the 12-month period.
- FY2015 rate of £1 = €1.38 and 9-month period to December 2014 rate of £1 = €1.25.
- 33,454 Performance shares vested on 19 June 2015 at £24.04 per share. This equates to £804,234.

9 months to December 2014

- Salary as at April 2014 prorated for the 9-month period.
- Flexible benefits allowance of £20,000 prorated for 9 months.

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

Xavier Rolet and David Warren each receive a flexible benefits allowance of £20,000 per annum. These values have not been increased since last year. Both of them also receive benefits in kind which principally include private health care and life assurance arrangements.

Xavier Rolet contributes £250 per month into each of the 2014–2017 and 2015–2018 SAYE schemes. These schemes will mature in March 2017 and July 2018 respectively, with a six-month exercise window.

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

- Each year he is entitled to tax preparation and filing assistance in the US and the UK
- The Group will meet the costs of repatriating Mr Warren's effects back to the US if it terminates his employment other than in circumstances such as serious misconduct which would justify summary termination
- An allowance to cover the cost of renting accommodation in the UK during the first 4 years of his appointment. Mr Warren will continue to receive £30,000 net per annum until October 2016 when this benefit shall cease
- An annual allowance of £30,000 net per annum to cover flights between London and New York for Mr Warren and his family

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

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

Executive Directors are covered by the Directors' and Officers' insurance and indemnification.

Retirement Benefits

In the UK, pension provision for our Executive Directors takes the form of a non-consolidated cash allowance.

Xavier Rolet and David Warren each receive an allowance equivalent to 25% of base salary as a taxable cash supplement. Only base salary is used to calculate pension entitlement and no other pension supplements apply. During the financial year, Xavier Rolet contributed £40,000 into the company Group Pension Plan.

Determination of Bonus for FY2015

The Committee determined the overall Group bonus pool with reference to the 12 month performance period ending 31 December 2015. The performance measures and targets are set out below:

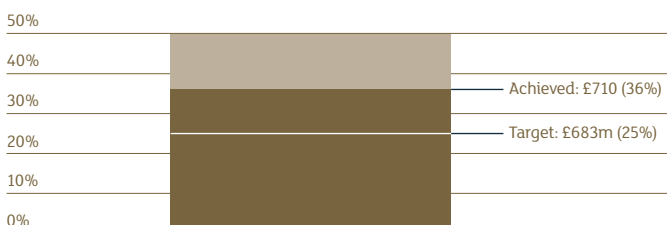
		Actual performance	Target	Performance relative to target	Maximum percentage of bonus	Actual percentage of bonus
FY2015 Group Bonus Pool	Group AOP	FY2015 Adjusted operating profit of £710 million.	FY2015 Adjusted operating profit of £683 million.	Above Target	50	36
	Strategic Deliverables	Deliverables included successful, ongoing integration of recent acquisitions; development of new 5-year strategy combined with early delivery of T2S and other key Financial Services infrastructure programmes.		Close to maximum	50	47
Total					100	83

Notes:

1. AOP excludes amortisation of purchased intangibles, non-recurring items and unrealised net investment gains/losses at LCH.Clearnet.
2. Contribution from Frank Russell Company's investment management business is included for FY2015.
3. For the FY2015 Group AOP bonus measure, threshold was set at Target minus 5% and maximum was set at Target plus 9%.

Group adjusted operating profit performance

% of total bonus



Raffaele Jerusalmi accrues mandatory state pension (INPS) benefits in Italy. Actual benefit due at retirement is set out by the applicable Italian legislation in force from time to time. Under the Italian Trattamento di Fine Rapporto (TFR), he receives contributions which are funded by the Company at a rate fixed by local law and which are paid to Mr Jerusalmi's private pension plan. Both INPS and TFR contributions are included in the single total figure of remuneration table on the previous page.

Pay for Performance

Overall the Committee wishes to position total target remuneration (fixed pay, variable pay and benefits) at or around the median of the reference points. The Committee considers it appropriate to reward superior performance with compensation levels at the upper quartile of the target market(s).

The Committee takes into account input from the Risk Committee with regard to performance related to risk culture (awareness, transparency and accountability) when assessing remuneration decisions.

Bonus awarded for FY2015

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

For the financial year ending 31 December 2015, the Committee determined that the sole annual financial target should again be adjusted operating profit. The Committee considers adjusted operating profit to be of particular significance for the Group and believes it should continue to be the main financial measure for annual bonus plan purposes. 50% of the annual bonus pool is subject to achieving this financial target. Other measures include the achievement of strategic and individual targets. The maximum bonus opportunity is 225% of salary for the Chief Executive Officer and 200% of salary for other Executive Directors.

Strategic deliverables performance

% of total bonus



Directors' Remuneration Report continued

Annual Report on Remuneration

Chief Executive Officer

Under Xavier Rolet's leadership, the Group delivered a robust financial performance with adjusted total income of £2,381.5 million (FY2014: £1,043.9 million) and total revenue of £2,285.4 million (FY2014: £971.4 million), including a full years contribution from Frank Russell Company Investment Management of £953.1 million. On an organic constant currency basis adjusted total income was up 2% with an increase in revenue from the core business segments and flat net treasury income. Adjusted operating profit rose to £709.6 million (CY2014: £558.0 million) due to the inclusion of Frank Russell Company for the full year.

In October 2015, the Group developed their new strategic vision to 2020.

As announced in October 2015, the Group has agreed the disposal of Frank Russell Company's investment management business for gross proceeds of US\$1,150 million. Completion is expected in H12016. The integration of our 2 leading index businesses into the single brand of FTSE Russell has significantly strengthened the Group's global offering in Intellectual Property, with around US\$10 trillion assets under management benchmarked to its indexes.

Other key successes in 2015 to note are:

- Delivery and migration to T2S to launch tri-party collateral management tool – ahead of our competitors and on time
- Substantial progress in LCH.Clearnet which absorbed the loss of LME, a key client, and is seeing continued focus on revenue growth e.g. SwapClear including improvements in market share and a continued cost focus with a further announcement of another €40m of savings whilst delivering improvements in operational resiliency
- Breakthrough and developments in China e.g. Stock connect with Shanghai Stock Exchange and continued developments in India

Based on the above context and an assessment of individual performance, the Remuneration Committee awarded bonuses to each of the Executive Directors as follows:

		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana and Director of Capital Markets
Bonus for FY2015	% of salary	213% of annual salary	172% of salary	165% of salary
	% of maximum¹	95%	86%	83%
	£ total amount	£1,600,000	£800,000	€827,000
	Of which 50% is deferred	£800,000	£400,000	€413,500
	Deferral vehicle	100% into LSEG shares	100% into LSEG shares	100% into cash

Note:

1. Deferral vehicle elections are illustrative at this stage, based on last year's actual elections. David Warren must defer 100% into LSEG shares as he has not yet met the Minimum Shareholding Requirement (MSR). Xavier Rolet and Raffaele Jerusalmi both meet the MSR, so will be able to elect whether to defer 100% into shares, or 100% into cash, or 50% into shares and 50% into cash. Any deferral into shares will be disclosed at a later date once confirmed.

Compulsory deferral

Executive Directors must now compulsorily defer 50% of their bonus for a period of 2 years. This provision applies to the bonus amount for the FY2015 bonus above and operates as follows:

Chief Financial Officer

The Committee noted that David Warren had continued to deliver a strong contribution made towards the Group's overall growth and success.

In particular alongside his other responsibilities, he has been instrumental to the successful acquisition, management and onwards disposal of Frank Russell Company's investment management business and his initiative to introduce the Quarterly Business Review process which has significantly enhanced the Group's financial management and accounting processes.

In addition to the robust financial results noted for Xavier Rolet above, the Committee also recognised his management of the continued cost focus throughout the Group (a further announcement of another €40m of savings in LCH.Clearnet for example) and his initiative to introduce the Quarterly Business Review process which has significantly enhanced the Group's financial management and accounting processes.

Executive Director, CEO of Borsa Italiana and Director of Capital Markets

In addition to his responsibilities as an Executive Director for the Group, Raffaele Jerusalmi has led our Capital Markets and Post Trade divisions in Italy (representing some 32% of the Group's Total Income excluding Frank Russell Company's investment management business). Capital Markets had a 3% increase in revenues (in constant currency terms) to £330.3 million. Primary Markets saw 176 new companies choosing to list on our markets, with total money raised across our equity markets of £42 billion.

Income in CC&G and Monte Titoli increased by 3% (in constant currency terms) for the year. CC&G cleared 120.1 million trades, up 10% year on year. Monte Titoli was the largest CSD to participate in the initial wave of T2S and was fully operational at the end of August.

- Until the minimum shareholding requirement of 2x base salary is reached, the percentage of bonus that is deferred will be deferred 100% into shares
- Once the level of minimum shareholding has been reached, individuals are able to elect to defer under 3 different approaches: 100% of the deferral amount into shares; 50% into shares and 50% into cash; or 100% into cash

Long term incentive plan (LTIP)

Executive Directors have awards outstanding under the 2004 Long Term Incentive Plan which expired in July 2014 – see legacy arrangements section of Policy Report on our website www.lseg.com/investor-relations/presentations-and-webcasts/annual-reports.

Awards granted in June and July 2012 with a performance period ended in FY2015

The performance period for the absolute TSR element of the Performance Share and Matching Share awards ended in June and July 2015 respectively. The awards granted in 2012 were based on absolute TSR performance in the 3 years from grant, and adjusted EPS performance in the 33-month performance period to December 2014. Over the period the Company delivered adjusted EPS growth of 4.1% per annum for performance and matching shares. Subsequently the adjusted EPS element for both these awards delivered nil per cent vesting.

Annualised Absolute TSR performance in the 3 years to 19 June 2015, 21 June 2015 and 2 July 2015 was 42% per annum and therefore vested at the full 100% for this element. Vesting price as at 19 June 2015 and 2 July 2015 for Performance shares was £24.04 and £24.27 respectively. Vesting price as at 21 June 2015 for Matching shares was £24.55.

Awards granted in June 2013 with a performance period ending in FY2016

The value shown in the single figure table on page 78 for the financial year ending December 2015 represents the estimated value of the 2013 awards which will vest in June 2016. The estimate assumes 100% vesting of the TSR element and 88.9% vesting of the EPS element and is based on a three-month average share price from 1 October 2015 to 31 December 2015. The final vesting outcome (including the actual share price at vesting) following the end of the performance period will be disclosed in the next Annual Report on Remuneration covering FY2016.

The same performance conditions described above apply to all awards granted in 2013, namely:

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

Due to the financial year-end change, EPS will be measured over 3 complete financial periods over 33 months for 2013 and 2014 grants. From FY2015 onwards, grants will return to being measured over 36 months, on a calendar year basis. The financial year-end change does not affect the TSR measurement period which remains 3 calendar years from grant. Vesting remains over 36 months. The Committee will continue to determine final outcomes to ensure there is no material advantage or disadvantage to participants due to either the year-end change in 2014 or the impact of the 2014 Rights Issue.

LTIP Awards Granted in FY2015 (Audited)

LTIP awards during FY2015 were granted in April 2015 under the LTIP and were made with a value of 300% of salary for Xavier Rolet, 274% of salary for David Warren, and 275% of salary for Raffaele Jerusalmi (at rate of £1 = €1.38). The same performance conditions and vesting schedules described above for 2013 also apply to these 2015 awards, save that 25% of the relevant element vests at threshold performance.

	Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana and Director of Capital Markets
2014 LTIP (Nil-cost performance options) granted on 2 April 2015²			
% of salary	300% of salary	274% of salary	275% of salary
Face value	£2,250,000	£1,275,000	£994,928 (being sterling equivalent of €1,375,000 on date of grant)
Share price¹	£24.47	£24.47	£24.47
Number of LTIP shares granted	91,949	52,104	40,659

Notes:

1. The share price of £24.47 was determined using the closing price (MMQ) on 1 April 2015 and approved by the Share Scheme Committee (a sub-committee of the Remuneration Committee).

2. TSR is measured over a 60 day trailing average at the start and end of the 3-year performance period which will end on 2 April 2018. EPS is measured over 3 financial years ending 31 December 2017 and compared to the 2014 baseline.

Other share plans (SAYE)

All UK employees, including Executive Directors, are eligible to participate in the HM Revenue & Customs approved Save As You Earn Scheme (SAYE). Under the rules of the SAYE, participants can save up to £500 each month, for a period of 3 years. At the end of the saving period, savings plus interest may be used to acquire shares by exercising the related option.

The options may be granted at an exercise price which represents a discount of up to 20% to market value at the date of invitation. No performance conditions are attached to SAYE options. There is also an International Sharesave Plan (ISP), which is designed to provide share options to Group employees who are not based

in the UK on similar terms to the options that are available to UK employees through the SAYE. To date, employees in France, Hong Kong, Italy, Sri Lanka and the US have participated in the ISP.

During 2015, an annual SAYE grant took place in May. Xavier Rolet was granted options in the scheme. The options were granted on exactly the same terms as to all eligible employees and at an exercise price of £20.42, representing a maximum discount of 20% to market value at the date of invitation. The related 3 year savings contract commenced on 1 July 2015, and Mr Rolet is currently saving the maximum of £500 per month (in aggregate across both SAYE grants in which he participates).

Directors' Remuneration Report continued

Annual Report on Remuneration

Implementation of the remuneration policy during 2016

(1 January 2016 to 31 December 2016)

Base salary operation:

During the year, the Committee conducted its annual review of the base salary levels of our Executive Directors. In recognition of the significant track record of growth and performance, the Committee has decided to increase the Chief Executive's salary from £750,000 to £800,000 (+7%). The overall rationale for this approach is as follows:

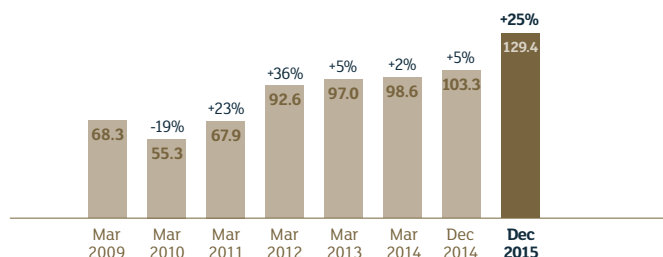
Strategic delivery

Xavier Rolet has been a very successful CEO since his appointment in 2009, and the Group has been transformed into a successful global international exchange group through a combination of organic and inorganic growth. Strategic acquisitions and integrations (including FTSE, LCH.Clearnet and Russell Indices) have increased the size, scope, breadth of product offerings and the Group's international footprint. Xavier Rolet has been instrumental in the Group's success over this period and we are keen to reward him appropriately for the future, reflecting the new reality of LSEG that he leads.

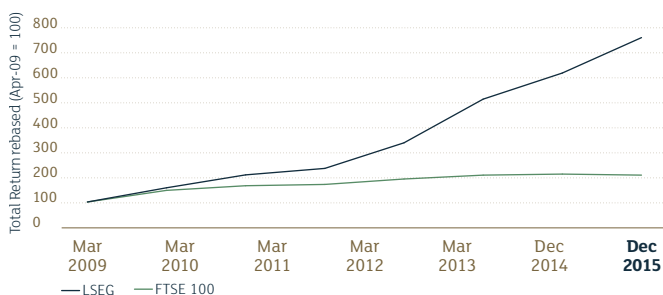
Global focus

LSEG is now a diversified international market infrastructure and capital markets business with significant operations in the UK, US, Italy, France and Sri Lanka. Through its platforms, the Group offers international business and investors unrivalled access to Europe's capital markets. It is also a global leader in indexing and analytic solutions. Furthermore, the Group was positioned outside the FTSE 100 during 2009 and it is now firmly established as a FTSE 100 company, currently ranked around the median.

Growth in AEPS (pence)



Increase in shareholder value



The Committee decided not to increase David Warren's salary at this review, as he received an increase last year in recognition of the significant changes to his role.

A salary increase of 2% for Raffaele Jerusalemi is broadly in line with the average employee increases.

Base salaries effective from 1 April 2016, are set out in the table below:

	With effect from 1 April 2015	With effect from 1 April 2016
Annual Salary		
Xavier Rolet	£750,000	£800,000 (+7%)
David Warren	£465,000	£465,000 (+0%)
Raffaele Jerusalemi	€500,000	€510,000 (+2%)

Annual bonus operation:

– For FY2016 the Group bonus pool will be determined based on performance measures weighted 60% Group AOP and 40% strategic deliverables tested over a 12-month performance period, recognising the increasing importance of financial performance to the Group. Previously the Group bonus pool has been based on performance measures weighted 50% Group AOP and 50% strategic deliverables

– The Executive Directors' awards are funded from the Group bonus pool; their individual awards will be based on an assessment of their contribution weighted against 55% Group AOP, 35% against strategic deliverables and 10% delivery against personal objectives as determined by the Board

– Any bonus payment will be paid out in March 2017, with mandatory deferral of 50% of bonus for a period of 2 years

– Until the minimum shareholding requirement of 2x base salary is reached, the percentage of bonus that is deferred will be deferred 100% into shares. Once the level of minimum shareholding has been reached, individuals are able to elect to defer under 3 different approaches: 100% of the deferral amount into shares; 50% into shares and 50% into cash; or 100% into cash

– Deferred awards are subject to malus provisions. Bonuses already paid out under the Deferred Bonus Plan and vested awards are subject to clawback (e.g. in cases of material misstatement or gross misconduct) with judgement applied by the Committee

– For good leavers, awards will usually vest at the normal vesting date and in full, unless the Committee determines to scale back the award based on any factors deemed relevant. Where an individual is not considered to be a good leaver, unvested awards will lapse

Long Term Incentive Plan:

Awards will be made in 2016 under the 2014 LTIP, as described in our Remuneration Policy Report, which is available on the Group website: www.lseg.com/investor-relations/presentations-and-webcasts/annual-reports.

– Malus and clawback provisions will apply to these awards, allowing the Committee to reduce subsisting awards or request the refund of already paid or vested awards in certain circumstances (e.g. material misstatement or gross misconduct)

– The 2016 awards will vest 3 years after the grant date subject to absolute TSR and adjusted EPS performance measures as follows:

EPS element (50%) – average adjusted EPS growth	TSR element (50%) – absolute TSR growth	Proportion of relevant element which vests
Less than 6% per annum	Less than 6% per annum	0%
6% per annum	6% per annum	25%
12% per annum or more	14% per annum or more	100%
Straight-line pro-rating applies between these points		

LTIP performance targets discussion

TSR performance since September 2010 has been exceptionally strong. The current TSR targets (8% to 16% growth per annum) have been used, unchanged, over 6 annual award cycles (2010 to 2015 inclusive). During this period of high performance, targets of 8% to 16% have become increasingly harder to achieve in each consecutive cycle and while it is appreciated that targets should continue to be stretching, they should also be achievable to remain motivational.

For 2016 LTIP awards, the Remuneration Committee consulted with major shareholders in Q4 2015 on TSR performance metrics and acted on their feedback in coming to a decision to use an amended range of 6% to 14% growth per annum. The Committee believes that this range of 6% to 14% continues to be stretching at threshold and extremely challenging at maximum vesting. Threshold vesting at 25% of the maximum, lowered from 30% of the maximum in 2014 in response to shareholders' input, would remain unchanged with straight-line pro-rating applying between these 2 points.

EPS growth targets remain 6% to 12% per annum. The Committee is satisfied that this range is still sufficiently stretching and, if delivered, will continue to drive significant value for shareholders.

Awards to be made during 2016

Based on the context as previously stated and an assessment of individual performance, the Remuneration Committee has approved grants to each of the Executive Directors under the 2014 LTIP as follows:

		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana and Director of Capital Markets
2016 LTIP award (subject to performance)	% of salary¹	300% of salary	275% of annual salary	275% of salary
	amount	£2,400,000	£1,278,750	Sterling equivalent of €1,400,000 (at prevailing FX rate at time of grant)

Note:

1. Salary refers to annual salary with effect from 1 April 2016.

Non-Executive Directors' fees for 2016

With effect from 1 January 2016 these fees have been simplified with the base fee increased from £60,000 to £70,000 per annum and no fees payable for Audit, Risk or Remuneration Committee membership. In addition the fees for Audit, Risk and Remuneration Chairs were increased from £20,000 to £30,000 per annum and the Senior Independent Director fee was also increased from £120,000 to £140,000 per annum. The revised fee schedule for 2016 is as follows:

Fees	With effect from 1 January 2015	With effect from 1 January 2016
Group Chairman	£370,000 ¹ –£400,000 ²	£400,000
Senior Independent Director	£120,000	£140,000
Non-Executive Director base fee	£60,000	£70,000
Audit Committee Chairman	£20,000	£30,000
Remuneration Committee Chairman	£20,000	£30,000
Risk Committee Chairman	£20,000	£30,000
Audit Committee, Risk Committee or Remuneration Committee membership	£10,000	nil
Nomination Committee	nil	nil

Notes:

- Chris Gibson-Smith received fees of £370,000 per annum for the period from 1 January 2015 until 1 July 2015.
- Donald Brydon received fees of £400,000 per annum with effect from his appointment on 1 July 2015.

Non-Executive Directors' Remuneration

Non-Executive Directors' remuneration is determined by the Board and is neither performance-related nor pensionable. The Chairman's fee is determined by the Remuneration Committee. The fees for Non-Executive Directors are set at a level which is intended to recognise the significant responsibilities of Directors and to attract individuals with the necessary experience and ability to make an important contribution to the Company's affairs. Comparisons are made with fees paid at FTSE 31-100 companies.

Travel and other appropriate expenses with associated taxes (including fees incurred in obtaining professional advice) incurred in the course of performing their duties are reimbursed to the Chairman and to the Non-Executive Directors.

The Chairman and the Non-Executive Directors do not participate in any of the Company's annual bonus or LTIP plans and are not entitled to any payments on termination.

Certain Non-Executive Directors are entitled to receive fees from subsidiary companies, details of which are set out overleaf.

Directors' Remuneration Report continued

Annual Report on Remuneration

The original date of appointment as Directors of the Company is as follows:

	Date Appointed	Date of letter of appointment	Time to expiry	Notice period	Date of resignation	LSEG Committee membership/ chairmanship	Other subsidiaries membership/ chairmanship
Andrea Munari	1/10/2007	1/10/2013	30/9/2016	None		Risk	Borsa Italiana
Paul Heiden ¹	4/6/2010	4/6/2013	3/6/2016	None		SID, Audit Chair, Nomination, Risk	LSE plc
Jacques Aigrain ²	1/5/2013	1/5/2013	30/4/2016	None		Audit, Remuneration Chair	
Stuart Lewis ³	12/6/2013	12/6/2013	11/6/2016	None		Remuneration, Risk	LCH.Clearnet (Remuneration)
Stephen O'Connor ⁴	12/06/2013	12/6/2013	11/6/2016	None		Audit, Nomination, Risk Chair	LSE plc
Sherry Coutu ⁵	17/1/2014	17/1/2014	16/1/2017	None		Remuneration	
Baroness Bowles ⁶	15/8/2014	15/8/2014	14/8/2017	None		Audit	LSE plc
Donald Brydon ⁷	19/6/2015	19/6/2015 as Director; 1/7/2015 as Chairman	End of AGM 2018	6 months		Group Chairman, Nomination Chair, Remuneration	LSE plc Chairman
Mary Schapiro ⁸	1/7/2015	1/7/2015	30/6/2018	None		Nomination	
Lex Hoogduin ⁹	4/12/2015	4/12/2015	3/12/2018	None			LCH.Clearnet Chairman
David Nish ¹⁰	4/12/2015	4/12/2015	3/12/2018	None		Audit, Risk	

Directors who stood down from the Board during the Year:

Robert Webb QC ¹¹	1/2/2001	1/2/2013	31/1/2016	None	29/4/2015	SID, Nomination, Remuneration Chair	LSE plc LCH.Clearnet
Chris Gibson-Smith ¹²	1/5/2003	4/3/2015	31/12/2015	1 month	1/7/2015	Group Chairman, Nomination Chair, Remuneration	
Massimo Tononi ¹³	27/9/2010	27/9/2013	26/9/2016	None	7/8/2015	Audit, Nomination	Chairman: Borsa Italiana, CC&G, Euro TLX and LSEGH Italia
Baroness Shields ¹⁴	17/1/2014	17/1/2014	16/1/2017	None	19/5/2015	Nomination	LSE plc

Notes:

- Paul Heiden was appointed Senior Independent Director on 25 March 2015.
- Jacques Aigrain stepped down as Chairman of LCH.Clearnet on 5 March 2015, was appointed to the Remuneration Committee on 25 March 2015 and became Chair of the Remuneration Committee on 9 December 2015.
- Stuart Lewis was appointed to the LCH.Clearnet Remuneration Committee on 3 June 2015.
- Stephen O'Connor was appointed to the Audit Committee on 4 March 2015.
- Sherry Coutu was appointed Chair of the Remuneration Committee on 25 March 2015.
- Baroness Bowles was appointed to the Audit Committee on 26 February 2015.
- Donald Brydon was appointed to the Board on 19 June 2015 and as Chairman on 1 July 2015.
- Mary Schapiro was appointed to the Nomination Committee on 9 December 2015.
- Lex Hoogduin was appointed Chairman of LCH.Clearnet Group Limited on 24 February 2015 and was appointed to the Board on 4 December 2015.
- David Nish was appointed to the Audit Committee and to the Risk Committee on 9 December 2015.
- Robert Webb QC stepped down from the Board on 29 April 2015.
- Chris Gibson-Smith stepped down from the Board on 1 July 2015, remaining available to advise the Board until 31 August 2015.
- Massimo Tononi stepped down from the Board on 7 August 2015.
- Baroness Shields was appointed to the Nomination Committee on 25 March 2015 and stepped down from the Board on 19 May 2015.

Non-Executive Directors' Remuneration Table (Audited):

£ thousands

	FY2015 LSEG Fees	FY2015 Subsidiary Fees	FY2015 Total Fees	FY2015 Taxable benefits ¹	FY2015 Total	9 months to December 2014 LSEG Fees	9 months to December 2014 Subsidiary Fees	9 months to December 2014 Total Fees	9 months to December 2014 Taxable benefits	9 months to December 2014 Total
Andrea Munari ²	70	19	89	–	89	53	10	63	2	65
Paul Heiden	113	1	114	18	132	68	4	71	11	83
Jacques Aigrain ³	80	67	147	3	150	52	285	338	5	343
Stuart Lewis	80	3	83	–	83	57	–	57	–	57
Stephen O'Connor	88	5	93	13	106	60	4	64	10	74
Sherry Coutu	78	–	78	–	78	51	–	51	–	51
Baroness Bowles	69	5	74	1	74	23	1	24	–	24
Donald Brydon	212	–	212	–	212	–	–	–	–	–
Mary Schapiro	30	–	30	3	33	–	–	–	–	–
Lex Hoogduin ⁴	2	241	243	38	281	–	–	–	–	–
David Nish	6	–	6	2	8	–	–	–	–	–
Directors who stood down from the Board during the Year:										
Robert Webb QC	40	–	40	–	40	74	8	81	–	81
Chris Gibson-Smith	247	–	247	45	292	277	–	277	59	336
Massimo Tononi ⁵	42	99	142	–	142	53	142	195	2	196
Baroness Shields	23	2	25	–	25	45	4	49	–	49
Total Non-Executive Directors' fees	1,180	441	1,620	124	1,744	813	458	1,270	89	1,359

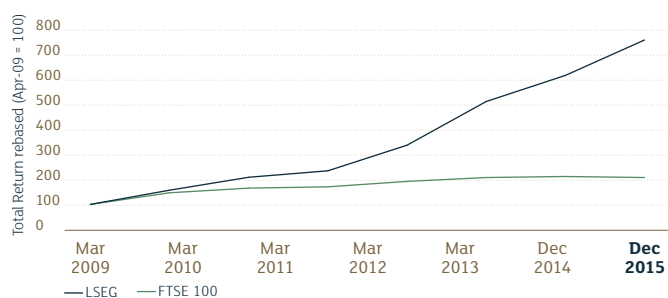
Notes:

1. Taxable benefits relate to travelling expenses, including grossed up taxes where applicable.
2. Andrea Munari received a combined fee of €26,000 (£18,841) for his roles as Vice Chairman and Director of Borsa Italiana S.p.A, using rate of £1 = €1.38 for FY2015. Historic rate for 9-month period to December 2014 rate of £1 = €1.25.
3. Jacques Aigrain received an annualised fee of €380,000 as Chairman of LCH.Clearnet until 5 March 2015.

4. Lex Hoogduin received an annualised fee of €350,000 (or £253,624 using rate of £1 = €1.38 for 2015) as Chairman of LCH.Clearnet from 5 March 2015. From 1 January to 5 March 2015, he received an annualised fee of €250,000 to cover his LCH Group, Ltd, SA and LLC directorships.
5. Mr Tononi received a combined fee of €137,100 (£99,348) for his roles as Chairman and Director of Borsa Italiana S.p.A., Chairman of CC&G, Chairman of EuroTLX and Chairman and Director of London Stock Exchange Group Holdings (Italia) until he stepped down on 7 August 2015. For the 9-month period to December 2014 historic rate was £1 = €1.25.

Alignment between pay and performance
Total Shareholder Return (TSR) performance

The following graph shows, for the financial period ended 31 December 2015 and for each of the previous 6 financial periods, the TSR on a holding of the Company's ordinary shares of the same kind and number as those by reference to which the FTSE 100 is calculated. The TSR graph represents the value, at 31 December 2015, of £100 invested in London Stock Exchange Group plc on 31 March 2009, compared with the value of £100 invested in the FTSE 100 Index over the same period. As a member of the FTSE100, we have chosen the FTSE100 Index as it is currently the most relevant index for benchmarking our performance over the 7 financial periods.

TSR chart v FTSE 100 over 7 financial periods


Directors' Remuneration Report continued

Annual Report on Remuneration

Historic levels of CEO pay

Period ended: (12 months unless otherwise stated)	CEO	CEO single total figure of remuneration (£'000)	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
31 December 2015	Xavier Rolet	6,612 ⁵	95%	94% ⁵
9 months ended 31 December 2014	Xavier Rolet	4,587 ³	89% ⁴	50% ³
31 March 2014	Xavier Rolet	6,383	93%	100%
31 March 2013	Xavier Rolet	6,015	89%	100%
31 March 2012	Xavier Rolet	5,245	100%	65%
31 March 2011	Xavier Rolet	2,134	89%	–
31 March 2010	Xavier Rolet ¹	1,873	71%	–
	Clara Furse ²	400	49%	0%

Notes:

- Xavier Rolet has been in the role of CEO from 20 May 2009, appointed to the Board 16 March 2009.
- Clara Furse was in the role of CEO until 20 May 2009. She resigned from the Board on 15 July 2009.
- Value shown for the period ended 31 December 2014 represents the actual vesting of LTIP awards granted in 2012 that vested on 19 June 2015 at £24.04 (Performance awards) and on 21 June 2015 at £24.04 (Matching awards).
- 89% of maximum for the 9-month period to December 2014 – equivalent to 67% of annualised maximum.
- Forecast for LTIPs to vest in June 2016. The estimate assumes 100% vesting of the TSR element and 88.9% vesting of the EPS element.

Percentage change in remuneration of CEO

The table below shows the percentage year-on-year change in salary, benefits and annual bonus for the CEO compared to the average of the representative sample of UK employees (all LSEG UK employees). Where appropriate, amounts have been annualised to provide a like-for-like comparison.

	Salary	Benefits	Annual bonus
CEO	+7%	+34% ²	+7%
Average pay of Group UK employees ¹	+3%	+6%	+4%

Notes:

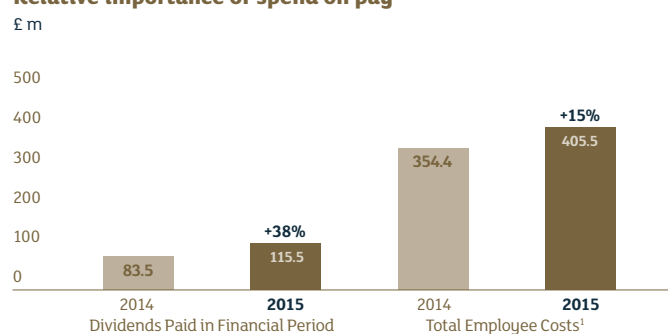
- This group has been selected to reflect the jurisdiction in which the CEO is based.
- This increase relates to the inclusion of taxable expenses and a further increase in the charges for insurance benefits the CEO is entitled to receive as part of his remuneration package.

Relative importance of spend on pay

The table below shows the relative FY2015 versus 9-month period to December 2014 expenditure of the Group on Dividends versus Total Employee Costs. These figures are underpinned by amounts from the Notes to the Financial Statements at the back of this report. We also show CY2014 amounts to provide a like-for-like comparison.

Year-on-year increases (%)	FY2015	9 month period to December 2014	CY2014	CY2014
Dividends Paid In Financial Period	£115.5m	£56.2m	£83.5m	+38%
Total Employee Costs ¹	£405.5m	£261.7m	£354.4m	+15%

Relative importance of spend on pay



Note:

- Excluding Proquote and Frank Russell Company's investment management business.

Statement of Directors' shareholdings and share interests as at 31 December 2015 (Audited)

All Executive Directors own shares outright. Xavier Rolet and Raffaele Jerusalemi currently own shares at a level exceeding their minimum required shareholding of 2x base salary based on a share price of £27.44 (being the closing share price on 31 December 2015). Current shareholdings are summarised in the following table:

	Shares held	Options held ¹			Shareholding as at 31 December 2015		Requirement met
	Owned Outright	Unvested and subject to performance conditions	Unvested and subject to continued employment ²	Vested but not exercised	Requirement (% salary)	2015 (% salary)	
Executive Directors							
Xavier Rolet	519,069	374,620	23,688	–	200	1,899	Yes
David Warren	24,342	150,752	11,238	–	200	144	No
Raffaele Jerusalemi ³	52,130	154,827	–	–	200	394 ⁴	Yes
Non-Executive Directors							
Andrea Munari	–	–	–	–	–	–	N/A
Paul Heiden	3,818	–	–	–	–	–	N/A
Jacques Aigrain	–	–	–	–	–	–	N/A
Stuart Lewis	–	–	–	–	–	–	N/A
Stephen O'Connor	–	–	–	–	–	–	N/A
Sherry Coutu	–	–	–	–	–	–	N/A
Baroness Bowles	–	–	–	–	–	–	N/A
Donald Brydon	5,000	–	–	–	–	–	N/A
Mary Schapiro	–	–	–	–	–	–	N/A
Lex Hoogduin	–	–	–	–	–	–	N/A
David Nish	–	–	–	–	–	–	N/A
Directors who stood down from the Board during the Year:							
Robert Webb	1,527 ⁵	–	–	–	–	–	N/A
Chris Gibson-Smith	81,142 ⁵	–	–	–	–	–	N/A
Massimo Tononi	–	–	–	–	–	–	N/A
Baroness Shields	–	–	–	–	–	–	N/A

Notes:

1. No options were exercised by the Directors during the year to 31 December 2015.
2. Refers to Deferred Bonus Plan and SAYE.
3. Raffaele Jerusalemi elected to defer his €300,000 Deferred Bonus Plan Award into cash for the 9-month financial period to 31 December 2014.

4. FY2015 rate of £1 = €1.38.
5. Shareholding as at date of resignation (see page 80).

Directors' Remuneration Report continued

Annual Report on Remuneration

Directors' Interests in Ordinary Shares – Beneficial, Family and any Connected Persons Interests (Audited)

	Ordinary Shares Held		Options with performance conditions ¹		Options without performance conditions ^{2,3}		Total Interests	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Executive Directors								
Xavier Rolet	519,069	459,904	374,620	506,056	23,688 ⁴	772 ⁴	917,377	966,732
David Warren	24,342	–	150,752	190,556	11,238	–	186,332	190,556
Raffaele Jerusalmi ⁵	52,130	52,130	154,827	181,077	–	–	206,957	233,207
Non-Executive Directors								
Andrea Munari	–	–	–	–	–	–	–	–
Paul Heiden	3,818	3,818	–	–	–	–	3,818	3,818
Jacques Aigrain	–	–	–	–	–	–	–	–
Stuart Lewis	–	–	–	–	–	–	–	–
Stephen O'Connor	–	–	–	–	–	–	–	–
Sherry Coutu	–	–	–	–	–	–	–	–
Baroness Bowles	–	–	–	–	–	–	–	–
Donald Brydon	5,000	–	–	–	–	–	5,000	–
Mary Schapiro	–	–	–	–	–	–	–	–
Lex Hoogduin	–	–	–	–	–	–	–	–
David Nish	–	–	–	–	–	–	–	–
Directors who stood down from the Board during the Year:								
Robert Webb	1,527 ⁶	1,527	–	–	–	–	1,527 ⁶	1,527
Chris Gibson-Smith	81,142 ⁶	81,142	–	–	–	–	81,142 ⁶	81,142
Massimo Tononi	–	–	–	–	–	–	–	–
Baroness Shields	–	–	–	–	–	–	–	–

Notes:

1. LTIP performance and matching shares are structured as nil-cost options.
2. Unvested awards in the Deferred Bonus Plan and share options granted under SAYE.
3. Deferred Bonus Plan shares are structured as nil-cost options; they are subject to continued employment and malus provisions.
4. Incorporates 772 SAYE options at 31 December 2014 and 1,212 SAYE options at 31 December 2015; the balance relates to Deferred Bonus Plan.
5. Raffaele Jerusalmi elected to defer his €300,000 Deferred Bonus Plan Award into cash for the 9-month financial period to 31 December 2014.
6. Shareholding as at date of resignation (see page 80).
7. There have been no further changes in these interests between 31 December 2015 and 4 March 2016.

Long Term Incentive Plan Table

The 2004 Long Term Incentive Plan had 2 elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the Executive in the Company's shares. The 2014 Long Term Incentive Plan has the same 2 elements as the 2004 LTIP, however Executive Directors can receive conditional awards of Performance Shares only.

The awards are dependent on Absolute TSR performance for 50% of the award, with the other 50% dependent on an Adjusted EPS growth target. Details of performance conditions are set out on pages 78–79.

The table below sets out the Executive Directors' Long Term Incentive Plan awards (including the exercise of vested shares in FY2015), as at 31 December 2015:

	Date of award	Price at award date £	Number of shares				At end of year	Vesting date	Price at vesting date £	Value at vesting date £	Exercise date	Prices at exercise date £	Value at exercise date £	Comment
			At start of year	Award during the year	Vested during year	Lapsed during year								
Xavier Rolet	19/06/2012	9.74	150,545	–	75,272	75,273	–	19/06/2015 ³	24.04	1,809,539	13/10/2015	23.80	1,791,574	FY2015 Actual
	21/06/2012	10.06	72,840	–	36,420	36,420	–	21/06/2015 ⁴	24.55	894,111	13/10/2015	23.80	866,844	FY2015 Actual
	12/06/2013	13.88	110,281	–	–	–	110,281	13/06/2016	25.71	2,677,964	–	–	–	FY2016 Estimate^{1,6}
	12/06/2013	13.88	55,140	–	–	–	55,140	13/06/2016	25.71	1,388,970	–	–	–	FY2016 Estimate^{1,6}
	27/08/2014	20.36	117,250	–	–	–	117,250	29/08/2017	–	–	–	–	–	–
	02/04/2015	24.47	–	91,949	–	–	91,949	03/04/2018	–	–	–	–	–	–
			506,056	91,949	111,692	111,693	374,620	–	–	2,703,650	–	–	2,658,418	FY2015 Actual
									4,016,934					FY2016 Estimate^{1,6}
David Warren	02/07/2012 ²	10.04	91,908	–	45,954	45,954	–	02/07/2015 ⁵	24.27	1,115,304	13/10/2015	23.80	1,093,766	FY2015 Actual
	12/06/2013	13.88	58,659	–	–	–	58,659	13/06/2016	25.71	1,424,422	–	–	–	FY2016 Estimate^{1,6}
	27/08/2014	20.36	39,989	–	–	–	39,989	29/08/2017	–	–	–	–	–	–
	02/04/2015	24.47	–	52,104	–	–	52,104	03/04/2018	–	–	–	–	–	–
			190,556	52,104	45,954	45,954	150,752	–	–	1,115,304	–	–	1,093,766	FY2015 Actual
									1,424,422					FY2016 Estimate^{1,6}
Raffaele Jerusalmi	19/06/2012	9.74	66,909	–	33,454	33,455	–	19/06/2015 ³	24.04	804,234	13/10/2015	23.80	796,250	FY2015 Actual
	12/06/2013	13.88	55,530	–	–	–	55,530	13/06/2016	25.71	1,348,440	–	–	–	FY2016 Estimate^{1,6}
	27/08/2014	20.36	58,638	–	–	–	58,638	29/08/2017	–	–	–	–	–	–
	02/04/2015	24.47	–	40,659	–	–	40,659	03/04/2018	–	–	–	–	–	–
			181,077	40,659	33,454	33,455	154,827	–	–	804,234	–	–	796,250	FY2015 Actual
									1,348,440					FY2016 Estimate^{1,6}

Notes:

1. FY2016 Estimate: Average share price over the period from 1 October 2015 to 31 December 2015 price with vesting forecast at 94.5%.
2. David Warren was awarded £850,000 in nil-cost options on joining LSEG.
3. Vesting of Performance shares granted on 19 June 2012 at actual vesting price of £24.04.
4. Vesting of Matching shares granted on 21 June 2012 at actual vesting price of £24.55.
5. Vesting of Performance shares granted on 2 July 2012 at actual vesting price of £24.27.
6. All estimates are shown separately in bold. They will be fully disclosed in next year's Annual Report on Remuneration.

Directors' Remuneration Report continued

Annual Report on Remuneration

Remuneration Committee – Governance

The Remuneration Committee is appointed by the Board and comprises the Chair and 3 independent Non-Executive Directors. The Committee's remit includes the remuneration (including the awards made under the performance-related incentive schemes where applicable) of the Chairman of the Group, Executive Directors, the Executive Committee as well as other regulated staff. Please see pages 54–56 for details of the Group's Executive Committee.

At least 3 members of the Committee are considered to be independent. Details of the Committee's remit and activities are set out in this Directors' Remuneration Report. The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the Company's website at: www.lseg.com/about-london-stock-exchange-group/corporate-responsibility/ethics-and-governance.

During the financial period ending 31 December 2015, the Committee met on 6 occasions (including twice in October).

Here is a summary of the items they discussed:

	Routine	Non-Routine
February 2015:	<ul style="list-style-type: none"> - Review of Non-Executive Directors' fees - FY2014 Performance and Bonus approval - FY2015 LTIP grants and anticipated vesting of previous LTIP schemes - Sharesave vesting and FY2015 awards - FY2015 Bonus design - Performance and determination of CEO and Executive Committee members' remuneration - 9-month period to December 2014 Directors' Remuneration Report - LCH.Clearnet Remuneration Committee proposals - Frank Russell Company 2014 bonus and Executive Committee awards 	
June 2015:	<ul style="list-style-type: none"> - Consideration of Shareholder feedback post AGM - Annual calendar of activities - LTIP updates - Restricted Share awards for 2015 	<ul style="list-style-type: none"> - CEO Remuneration - Review of LTIP metrics - NED fees for new Strategic Committee - Regulatory Update (EBA consultation)
September 2015:		<ul style="list-style-type: none"> - Review of joiner and leaver to LSEG Executive Committee - Remuneration Committee Adviser update
October 2015:	<ul style="list-style-type: none"> - Review and approval of the FCA Remuneration disclosure - FY2015 Performance and Bonus Update - LTIP updates 	<ul style="list-style-type: none"> - CEO Remuneration proposals - Approval of new joiner and leavers to LSEG Executive Committee - Selection of Remuneration Advisors
December 2015:	<ul style="list-style-type: none"> - Review of market analysis and regulatory updates - Consideration of FY2015 Performance and Bonus update - LTIP update and FY2016 considerations - Salary Review FY2016 - Review draft Directors' Remuneration Report - FY2016 Bonus design - LCH.Clearnet Remuneration Committee proposals 	
February 2016:	<ul style="list-style-type: none"> - FY2015 Performance and Bonus approval - FY2016 Bonus design - FY2016 LTIP grants and anticipated vesting of previous LTIP schemes - Sharesave vesting and FY2016 grants - Performance and determination of CEO and Executive Committee members' remuneration - FY2015 Directors' Remuneration Report - LCH.Clearnet Remuneration Committee proposals - Frank Russell Company 2015 bonus and Executive Committee awards 	
This meeting took place during FY2016 and will be repeated in next year's report.		

To assist the Committee, the results of market surveys are made available. Where appropriate, the Committee invites the views of the Chief Executive Officer, Chief Financial Officer, Group Head of Human Resources and the Chief Risk Officer via the Risk Committee. None of these individuals nor the Chairman participated in any discussion relating to their own remuneration.

Statement of shareholder voting

The table below sets out the results of the vote on the Directors' Remuneration Report at the 2014 and 2015 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%		
Remuneration Policy Report (2014 AGM)	207,082,981	94.94	11,040,635	5.06	218,123,616	206,951
Annual Report on Remuneration (2015 AGM)	243,918,221	94.23	14,934,964	5.77	258,853,185	9,288,670

Advisors

The Remuneration Committee continues to be mindful of recommendations from key stakeholders, including institutional investor bodies. The Committee consults with major shareholders on any key decisions taken.

Deloitte LLP is the principal advisor appointed by the Committee to provide independent advice on executive remuneration policy and practice, and reviews the implementation of our approved policy against current and emerging corporate governance best practice. During 2015, the Committee undertook a competitive tender process for the role of Remuneration Committee advisor and re-appointed Deloitte as its principal advisor with effect from 1 April 2016.

During the year, Deloitte LLP received £228,250 (excluding VAT) based on actual time spent for these services. Separately, other parts of Deloitte LLP also advised the Company during 2015 in relation to tax, internal audit, consulting and transaction support services. Deloitte is a founder member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice provided by Deloitte LLP is independent and objective.

Outside appointments

Executive Directors are allowed to accept appointments as Non-Executive Directors of other companies with the prior approval of the Chairman. Approval will only be given where the appointment does not represent a conflict of interest with the Company's activities and where the wider exposure gained will be beneficial to the development of the individual. Executive Directors may retain fees to encourage them to seek out the development opportunities and valuable experience afforded by these appointments and in recognition of the personal responsibility Executives assume in such roles and we would disclose these fees.

At present, none of the Executive Directors are in receipt of additional fees.

Signed on behalf of the Board of Directors



Jacques Aigrain
Chairman of the Remuneration Committee
4 March 2016

Directors' Report

The Directors of the Company are pleased to present their Annual Report to shareholders, together with the financial statements for the year ended 31 December 2015 with comparatives for the 9 month period ended 31 December 2014 (the "Period ended 2014").

The following sections of the Annual Report are incorporated into this Directors' Report by reference:

- The information that fulfils the requirements of the Strategic Report (including the Financial Review) can be found on pages 2–53
- Board of Directors on pages 54–56

Results

The Group made a profit before taxation from continuing operations, before amortisation of purchased intangible assets and non-recurring items for the year, of £516.4 million (Period ended 2014: £356.2 million). After taking into account amortisation of purchased intangible assets and non-recurring items, the profit of the Group before taxation for the year from continuing operations was £336.1 million (Period ended 2014: £182.1 million). Profit after taxation from continuing operations for the year was £288.0 million (Period ended 2014: £131.0 million).

During the year the Group classified certain of its businesses as discontinued operations. The discontinued profit before taxation, before amortisation of purchased intangible assets and non-recurring items for the year, was £124.9 million (Period ended 2014: £12.1 million). After taking into account amortisation of purchased intangible assets and non-recurring items, the profit of the discontinued operations for the year was £97.6 million (Period ended 2014: £8.9 million). Profit after taxation from discontinued operations for the year was £69.1 million (Period ended 2014: £6.4 million).

Dividends

The Directors are recommending a final dividend for the year of 25.2 pence (Period ended 2014: 12.8 pence) per share which is expected to be paid on 1 June 2016 to shareholders on the register on 6 May 2016. Together with the interim dividend of 10.8 pence (Period ended 2014: 9.7 pence) per share paid in September 2015, this produces a total dividend for the period of 36.0 pence (Period ended 2014: 22.5 pence) per share estimated to amount to £125.2 million (Period ended 2014: £78.0 million).

Share capital

As at 31 December 2015, the Company had 348,376,066 ordinary shares in issue with a nominal value of 6^{79/86} pence each, representing 100% of the total issued share capital. During the year, the Company issued 1,419,602 new ordinary shares, to settle employee share scheme awards.

Share rights

The rights and obligations attached to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Group Company Secretary.

No shareholder shall be entitled to vote at a general meeting, either in person or by proxy, in respect of any share held by him or her unless all monies presently payable by him or her in respect of that share have been paid. In addition, no shareholder shall be entitled to vote, either in person or by proxy, if he or she has been served with a notice under section 793 of the Companies Act 2006 (concerning interests in those shares) and has failed to supply the Company with the requisite information.

Other than restrictions considered to be standard for a UK listed company there are no limitations on the holding or transfer of ordinary shares in the Company, both of which are governed and regulated by the Company's Articles of Association and applicable legislation and regulation. The Company is not aware of any agreements between holders of shares that may result in restrictions on the transfer of shares or on voting rights.

Corporate Governance Statement

The Company's Corporate Governance Report and the reports of the Nomination, Audit and Risk Committees are set out on pages 57–69 and are, together with the information on share rights set out above, incorporated into this Corporate Governance Statement by reference.

Articles of Association

The Company's Articles of Association (adopted by special resolution passed on 14 July 2010) may only be amended by special resolution at a general meeting of the shareholders. The Company's Articles of Association contain provisions relating to the appointment and removal of Directors.

Substantial Shareholders

As at 4 March 2016 the Company had been notified of the following interests amounting to more than 3% in the issued share capital of the Company in accordance with DTR 5 of the FCA's Disclosure and Transparency Rules:

Qatar Investment Authority	10.3%
Blackrock, Inc	6.9%
Invesco Limited	6.0%
Veritas Asset Management LLP	3.0%

Authority to Purchase Shares

The authority for the Company to purchase in the market up to 34,700,000 of its ordinary shares (representing less than 10% of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM) granted at the Company's last AGM, expires on the date of the forthcoming AGM. Although the latter authority was not used by the Company, shareholders will be asked to give a similar authority to purchase shares at the forthcoming AGM.

Authority to Issue Shares

Subject to the provisions of the Companies Act 2006 and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

Authority to Allot Shares

The authority conferred on the Directors at last year's AGM to allot shares in the Company up to a maximum nominal amount of £8,008,000 (representing approximately 33.3% of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM) or, in connection with a pre-emptive offer to existing shareholders by way of a rights issue, up to a maximum nominal amount of £16,016,000 (representing approximately 66.6% of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM), expires on the date of the forthcoming AGM. Shareholders will be asked to give a similar authority to allot shares at the forthcoming AGM.

Directors' interests

Directors' interests in the shares of the Company as at 31 December 2015, according to the register maintained under the Companies Act 2006, are set out in the Directors' Remuneration Report on page 83. No company in the Group was, during or at the end of the year, party to any contract of significance in which any Director was materially interested.

Directors' indemnity

Details of qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) in force during the course of the year ended 31 December 2015 can be found on page 59.

Employees

Information on the Company's wider responsibilities in relation to employees including the Company's approach to human rights and diversity is given on page 37 and information on the Group's share schemes is provided in the Directors' Remuneration Report on page 77. The Company provides an induction programme for new employees, including training on health and safety, and a range of development programmes for all staff to develop their skills and knowledge. The Group gives full consideration to applications for employment from persons with a disability where the candidate's particular aptitudes and abilities are consistent with and adequately meeting the requirements of the role. The Group encourages and assists employees with a disability with training, career development and promotion opportunities, and where existing employees become disabled, our policy is to provide continuing employment and training wherever possible. Where changes to working practices or structure affect staff, staff are consulted and given the appropriate support. All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications. To inform employees of the economic and financial factors affecting our business, regular updates are posted on our intranet and engagement events are hosted, such as 'Townhall' style meetings with members of our Executive Committee, providing a briefing of specific areas of the business.

Environment

As a Group, we are committed to using resources in ways that ensure the long-term sustainability and profitability of the business and have a positive impact on the environment. The Group's primary greenhouse gas ("GHG") emissions arise from energy, waste and water in our offices and data centres around the world, from staff travel, and indirectly from our supply chain.

During the reporting period, we achieved a 14% reduction in our overall Carbon Emissions per Full Time Employee, and are making strong progress towards our 2020 targets.

We continue to take an active approach to emissions management, with our global Environmental Management Group measuring GHG impacts across our property portfolio, including managed offices where possible. We report beyond the mandatory reporting guidelines to include Scope 3 emissions. Performance is reported quarterly via our Intranet, and annually to the Carbon Disclosure Project, Dow Jones Sustainability Indices, FTSE4Good and on our website: www.lseg.com.

Global 2015 GHG Emissions

(tCO ₂ e – Tonnes of carbon dioxide equivalent)	2015	2014	% Change
Total Group Carbon Footprint	31,777	31,702	0.24%
per m ²	0.388	0.371	4.63%
per FTE	7.17	8.34	-13.99%
per £m Revenue ¹	22.40	24.54	-8.70%
Scope 1 ²	1,173	1,284	-8.64%
Scope 2 ³	22,716	23,362	-2.77%
Scope 3	6,336	5,305	19.43%
Scope 3 (Electricity Transmission and Distribution)	1,552	1,751	-11.36%

1. Revenue excludes Russell Investments, as Russell consumption is also excluded from figures.

2. Combustion of fuel and operation of facilities – includes Natural Gas, Diesel, LPG, Fugitive Emissions and Fleet Vehicles.

3. Purchase of electricity by the Group for its own use (the Group does not purchase heat, steam or cooling).

Note: Total Group Footprint and Scope 2 use market-based Scope 2 emissions factors.

In addition to monitoring our environmental impact, we have set environmental targets for the next financial year that include energy, water, waste and travel. More information on these as well as full details of emissions and reporting methodology can be found in our CR report.

Political Donations and Expenditure

During the year the Group did not make any political donations to EU or non-EU organisations, or incur any political expenditure.

It remains the Company's policy not to make political donations or to incur political expenditure; however, the application of the relevant provisions of the Companies Act 2006 is potentially very broad in nature and, as last year, the Board is seeking shareholder authority to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities, although the Board has no intention of using this authority. As with previous years the Board is proposing that shareholders pass a resolution at the forthcoming AGM to authorise the Group to:

- make political donations to political parties and independent election candidates not exceeding £100,000 in total
- make political donations to political organisations other than political parties not exceeding £100,000 in total
- incur political expenditure not exceeding £100,000 in total

provided that in any event the aggregate amount of any such donations and expenditure made or incurred by the Group shall not exceed £100,000.

Notwithstanding the Company's policy not to make political donations, the Company has continued to support an employee-operated Political Action Committee ("PAC") that facilitates voluntary political donations by eligible Frank Russell Company employees. PACs are a common feature of the US political system and are governed by the Federal Election Campaign Act.

The PAC is not controlled by the Company or Frank Russell Company. Decisions on the amounts and recipients of contributions are made by participating employees exercising their legal right to pool their resources and make political contributions. During the year, a total of US\$79,500 was donated to political organisations by the Frank Russell Company employee operated PAC.

Events since the balance sheet date

On 23 February 2016 the Group confirmed that detailed discussions about a potential merger of equals was under way with Deutsche Börse.

The potential merger would be structured as an all-share merger of equals under a new holding company. Under the terms of the potential merger, LSEG shareholders would be entitled to receive 0.4421 new shares in exchange for each LSEG share and Deutsche Börse shareholders would be entitled to receive one new share in exchange for each Deutsche Börse share. Based on this exchange ratio, the parties anticipate that Deutsche Börse shareholders would hold 54.4%, and LSEG shareholders would hold 45.6% of the enlarged issued and to be issued share capital of the combined group. The combined group would have a unitary board composed of equal numbers of LSEG and Deutsche Börse Directors.

Discussions between the parties remain ongoing and any transaction would be subject to regulatory approval, Group shareholder approval and Deutsche Börse shareholders' acceptance, as well as other customary conditions.

Significant agreements

The following are significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

– Russell US Investment Management business

Pursuant to applicable US legislation and contractual terms reflecting such legislation, a change of control of the Company would constitute a deemed 'assignment' of certain investment advisory contracts of the Russell US investment advisor entities. Consent from the applicable investment advisory clients would be required in order for such contracts to continue in effect (or, in the case of the Russell US mutual funds, for replacement contracts to take effect)

Directors' Report continued

– SwapClear

LCH.Clearnet, along with a number of investment banks, is party to an agreement for the clearing of OTC interest rate swaps in relation to the SwapClear business. Such arrangements contain certain provisions that entitle the banks to terminate the agreement on a change of control of the Company

– Facility Agreement

The Company (as borrower) has entered into 2 syndicated, committed, revolving facility agreements dated 25 June 2014 and 9 November 2015 respectively which provide an aggregate £1.2 billion of flexible financing capacity. The facilities are partially drawn and sized to provide comfortable headroom to the Group. The terms of the above agreements are consistent and appropriate for an investment grade borrower including change of control provisions which, if triggered, allow the Facility Agent, upon instructions from the majority lenders, to cancel the facility and declare all outstanding loans under the agreement, together with accrued interest and all other amounts accrued, due and payable

– Notes

The Company has issued 2 sterling Notes to the wholesale fixed income market due in 2016 and 2019. Both Notes contain a 'redemption upon change of control' provision which, if triggered by the combination of a change of control and, within 120 days thereafter, a credit rating downgrade to non-investment grade, allows Note holders to exercise their option to require the Issuer to redeem the Notes and pay any accrued and unpaid interest due

– Retail Bond Issue

The Company has issued sterling denominated retail bonds, under its £1,000 million Euro Medium Term Note Programme, which are due in 2021. The retail bonds contain change of control provisions which, if triggered, allow the holder of these bonds to have the option to require the Issuer to repay early or to purchase the bonds of that holder at their face value together with the accrued interest

– Employee Share Plans

The rules of the Company's employee share plans set out the consequences of a change of control of the Company on employees' rights under the plans. Generally such rights will vest on a change of control and participants will become entitled to acquire shares in the Company (although in certain circumstances the Remuneration Committee has the discretion to defer vesting and to require rights to be exchanged for equivalent rights over the acquiring company's shares)

Employee Benefit Trust

As at 31 December 2015, the trustee of the London Stock Exchange Employee Benefit Trust, which is an independent trustee, held 462,378 shares under the terms of the trust for the benefit of employees and former employees of the Company and its subsidiaries. The trust is a discretionary trust and the shares are held to meet employees' entitlements under the Company's share plans. Employees have no voting rights in relation to the shares while they are held in trust. The trustee has full discretion to exercise the voting rights attaching to the shares or to abstain from voting. Shares acquired by employees through the Company's employee share plans rank equally with the ordinary shares in issue and have no special rights.

Branches outside the UK

Certain of the Company's subsidiaries have established branches in a number of different countries in which they operate.

Financial Risk Management

The use of financial instruments by the Group and the Group's Financial Risk Management have been specifically considered by the Directors, and relevant disclosures appear in Principal Risks and Uncertainties, on page 51 of this Annual Report, and in the notes to the Financial Statements, on pages 108–112 of this Annual Report, and in each case are incorporated by reference into this Directors' Report.

Directors' statement as to disclosure of information to auditors

In accordance with Section 418(2) of the Companies Act 2006, the Directors confirm, in the case of each Director in office at the date the Directors' Report is approved as listed on page 91, that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Financial viability statement

In accordance with provision C.2.2 of the Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next 3 years. A period of 3 years has been chosen for the purpose of this viability statement, in line with the Group's Business plan. The Directors' assessment has been made with reference to the Group's current position and prospects, the 2016 3 year business plan, the Group's risk appetite and the expected impact of a selected group of severe but plausible downside scenarios.

The business plan makes certain assumptions about the performance of the core revenue streams and segments, using existing product lines as well as assumptions on take up of new product lines, assumptions on appropriate levels of investment to support expected performance, known inorganic activity, the ability to refinance debt as required, and expected returns to shareholders.

The plan is stress tested using a selected group of severe but plausible downside scenarios as determined relevant by the Group Risk Committee, over the full 3 year plan period. Impacts on the performance of core revenue streams and segments are modelled through business inputs, with appropriate mitigating factors also considered.

The impact on the Group's cash-flows, liquidity headroom, and debt covenants are detailed throughout the 3 year period in each scenario. No scenario over the 3 year period leads to a breach in Group covenants or an inability to meet the Group's obligations through insufficient headroom. Further, a reverse stress test has been completed, to evaluate the financial impacts required to breach the Group Risk Committee's risk appetite.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position and its objectives and policies in managing the financial risks to which it is exposed and its capital are set out in the Strategic Report on pages 46–53. The Directors' statement in relation to going concern are set out in the Statement of Directors' Responsibilities on page 91.

Future developments

The Executive Management team monitors future development and market trends affecting the Group and its subsidiaries on an ongoing basis. Details of these developments and trends and the potential implications for the Group can be found in the "Market trends and our response" section of the Annual Report (pages 12–15).

Auditors

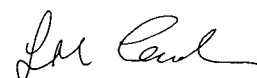
A resolution to reappoint Ernst & Young LLP as the Company's auditors will be proposed at the AGM.

Strategic Report

The Strategic Report was approved by the Board on 3 March 2016 and signed on its behalf (pages 2–53).

By Order of the Board

Lisa Condron



Group Company Secretary
4 March 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Group and the Company and of the profit or loss for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- make judgements that are reasonable
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006, other applicable laws and regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules, and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Overview and Strategic Report sections of the Annual Report on pages 44–53. In particular, the current economic conditions continue to pose a number of risks and uncertainties for the Group and these are set out in Principal Risks and Uncertainties on page 46.

The Financial Risk Management objectives and policies of the Group and the exposure of the Group to capital risk, credit risk, market risk and liquidity risk are discussed on pages 49–51. The Group continues to meet Group and individual entity capital requirements and day-to-day liquidity needs through the Group's cash resources and available credit facilities. Committed term funding at 31 December 2015 was £2,132.2 million which is committed until July 2016 or beyond (Period ended 2014: £2,240 million), described further in the Financial Review on page 43.

The Directors have reviewed the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, which show that the Group has sufficient financial resources. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Each of the Directors, whose names and functions are set out on pages 54–56 of this Annual Report confirms that, to the best of their knowledge and belief:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole
- the report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face
- they consider that the Annual Report and Accounts 2015, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By Order of the Board



Lisa Condron
Group Company Secretary
4 March 2016

Independent Auditor's Report to the members of London Stock Exchange Group plc

Our opinion on the financial statements

In our opinion:

- London Stock Exchange Group plc's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation

What we have audited

London Stock Exchange Group plc's financial statements comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2015	Balance sheet as at 31 December 2015
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 35 to the financial statements
Consolidated cash flow statement for the year then ended	
Related notes 1 to 35 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

- Risks of material misstatement**
- Risk that goodwill and purchased intangible assets may be impaired
 - Risk of fraud in recognition of revenue in:
 - secondary capital markets trading
 - new or updated post-trade clearing arrangements including fee-sharing arrangements
 - information services audit revenue accruals
 - In executing our audit response to the above risks of material misstatement, we also considered the risk of fraud in relation to management override of controls particularly post close adjustments and significant areas of accounting estimate

- Audit scope**
- We performed an audit of the complete financial information of 6 components and audit procedures on specific balances for a further 18 components
 - The components where we performed full or specific audit procedures accounted for more than 90% of Group pre-tax profit, revenue and total assets

- Materiality**
- Overall Group materiality is £18.3 million which represents 5% of pre-tax profit from continuing operations calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-recurring items

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

RISK	OUR RESPONSE TO THE RISK	WHAT WE CONCLUDED TO THE AUDIT COMMITTEE
<p>Risk that goodwill and purchased intangible assets may be impaired Balance of £3.5 billion, prior period comparative £4.3 billion</p> <p>The Group holds significant intangible assets on its balance sheet, including goodwill, customer relationships, brands, software licenses, and intellectual property.</p> <p>On an annual basis, management are required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of purchased intangible assets. Where indicators of impairment of purchased intangible assets are identified, a full impairment assessment is performed. These assessments involve significant management judgment in the application of valuation models and assumptions.</p> <p>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.</p> <p>Please refer to the Audit Committee Report (page 66); Accounting policies (page 105); and Note 14 of the Consolidated Financial Statements (pages 122–124).</p> <p>The risk has neither increased or decreased in the current year.</p>	<p>Audit procedures over the risk that goodwill may be impaired We performed a walkthrough of the impairment assessment process and assessed the design effectiveness of key controls.</p> <p>We examined the cash flow forecasts which support management's goodwill impairment review and tested compliance with the requirements of IAS 36 'Impairment of Assets'. We assessed the reasonableness of those forecasts and the evidence supporting the underlying assumptions, by comparing to approved budgets, considering prior budget accuracy, and comparing expected growth rates to relevant market expectations.</p> <p>We tested the discount rates assigned to the cash generating units, as well as the long-term growth rates, with reference to our understanding of the business, comparisons to other similar companies, broader market considerations as well as economic and industry forecasts where appropriate. We considered evidence available to support the discount rates used, and consistency with findings from other areas of the audit, and engaged EY valuation experts to support us in performing our analysis.</p> <p>During the course of our work, we tested and applied reasonable alternative assumptions in the application of the valuation methodologies, to challenge management's approach, and to test for impairment of the goodwill balance.</p> <p>We also performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill at the balance sheet date.</p> <p>Audit procedures over the risk that other intangible assets may be impaired We performed a walkthrough of the impairment assessment process and assessed the design effectiveness of key controls.</p> <p>We tested management's assessment as to whether indicators of impairment exist, by reference to factors specific to each class of assets (no such indicators were identified). Examples included customer retention rates within specific business lines and the current returns made on intellectual property.</p> <p>We also assessed the appropriateness of the amortisation period, and compared management's forecasts against historic data, to understand whether the periods remained appropriate.</p> <p>We performed full and specific scope audit procedures over this risk area in 5 components, which covered 98% of the risk amount.</p>	<p>Audit procedures over the risk that goodwill may be impaired Our application of sensitivity analysis over significant inputs to the impairment assessment did not lead us to conclude that goodwill was materially impaired as at 31 December 2015.</p> <p>Audit procedures over the risk that purchased intangible assets may be impaired Our procedures did not identify any additional factors that would lead to the need to perform a full impairment assessment, or a revision of the amortisation periods applied.</p> <p>We concluded that the carrying value of purchased intangible assets is materially correct as at 31 December 2015.</p>

Independent Auditor's Report to the members of London Stock Exchange Group plc continued

RISK	OUR RESPONSE TO THE RISK	WHAT WE CONCLUDED TO THE AUDIT COMMITTEE
<p>Risk of fraud in recognition of revenue in secondary capital markets trading, fees or revenue shares for clearing arrangements, and information services audit revenue accruals</p> <p>Balance of £1.24 billion, prior period comparative £0.83 billion</p> <p>Compensation tied to the performance of the entity may create an incentive for management to manipulate results.</p> <p>We have identified 3 revenue streams as having heightened risk of misstatement. They were selected for the following reasons:</p> <ul style="list-style-type: none"> – Secondary capital markets revenue involves complex pricing structures based on product types, customer activity and volumes. This complexity leads to a heightened risk that revenue may not be recognised appropriately, either as a result of fraud or error – Contracts relating to new or revised clearing agreements, including revenue sharing between LCH.Clearnet and third-party participants, in some cases involve complex calculations to determine the correct level of revenue to recognise within the Group – Information services audit accruals involve judgment as to when and how much revenue should be accrued, and there were errors identified in the prior period audit in this area <p>Please refer to the Audit Committee Report (page 66); Accounting policies (page 104); and Note 4 of the Consolidated Financial Statements (pages 113–114).</p> <p>The risk has neither increased or decreased in the current year.</p>	<p>Audit procedures over revenue in secondary capital markets trading</p> <p>We performed a walkthrough of the secondary capital markets trading process and assessed the design effectiveness of key controls.</p> <p>We increased our standard sample size for transactional testing by at least 3 times, to respond to this risk of fraud. We agreed a random selection of transactions back to supporting audit evidence, such as receipt of cash and invoices; where appropriate, we also recalculated the fee charged.</p> <p>For secondary capital market trades in London, we also used analytical tools to identify outliers in high volumes of transactional data for focused follow-up testing. This analysis included comparing the fee per transaction to volume (notional) traded and investigating any particularly high values which were outliers to the overall population.</p> <p>We also performed cut-off testing to obtain evidence that revenue is recognised in the correct period.</p> <p>Audit procedures over new/revised (including revenue sharing) clearing arrangements</p> <p>We performed a walkthrough of the fee and revenue shares clearing arrangement process, and performed testing of the operating effectiveness of key controls.</p> <p>We critically assessed the accounting treatment adopted by management, and performed testing to gain assurance that revenue recognised in the period in respect of all new/updated clearing agreements had been accounted for in accordance with the terms of the contractual terms and in compliance with IFRS.</p> <p>We performed sample testing of contracts along with a random selection of other contracts across revenue streams.</p> <p>Audit procedures over information services audit revenue accruals</p> <p>We performed a walkthrough of the information services audit revenue accruals process and assessed the design effectiveness of key controls.</p> <p>We selected a sample of audit accruals using a lower testing threshold as compared to normal revenue transaction testing, and obtained supporting evidence, including customer input/consent, for accrued amounts.</p> <p>We performed full and specific scope audit procedures over this risk area in 10 components, which covered 99% of the risk amount.</p>	<p>Conclusion</p> <p>We concluded that the revenue in secondary capital markets trading, fees or revenue shares for clearing arrangements, and information services audit revenue accruals for the year ended 31 December 2015 are materially correct.</p>

In the prior period, our Auditor's Report included a risk of material misstatement in relation to the accounting for the acquisition of Frank Russell Company. This risk has been removed as the acquisition occurred in the prior period.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal Audit findings when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to make sure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 24 components. Of the 24 components selected, we performed an audit of the complete financial information of 6 components ("full scope components") which were selected based on their size

or risk characteristics. For the remaining 18 components ("specific scope components"), we performed audit procedures on specific accounts within each component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Scope	Procedures performed by	Number of components
Full	Primary team	3
Full	Component teams	3
Specific	Primary team	17
Specific	Component teams	1
	Total	24

Details of the 4 components which were audited by component teams are set out below:

Component	Location	Scope	Auditor
LCH.Clearnet Group Limited	United Kingdom and France	Full	EY
LSEG US Holdco Inc.	United States of America	Full	Non-EY ¹
Millennium Information Technologies (Private) Limited	Sri Lanka	Specific	EY
London Stock Exchange Group Holdings Italy S.p.A.	Italy	Full	EY

¹ Some specific accounts within LSEG US Holdco Inc. were audited by the EY primary auditor.

Components subject to a full scope audit account for over 90% of the Group's revenue, profit before tax and profit before tax before and after the reversal of the transaction costs noted above (2014: over 90%).

The remaining 32 components together represent 1% of the Group's pre-tax profit from continuing operations calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-recurring items. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

There are no changes in full scope components from the prior period. Specific scope components have been re-assessed as the contribution of such components to the Group consolidated accounts varies each year.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors operating under our instruction.

For the 3 full-scope and 1 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to make sure that the Senior Statutory Auditor visits the principal locations of the Group. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in:

- Italy (LSEG Holdings Italy S.p.A.)
- Sri Lanka (Millennium Information Technologies (Private) Limited)
- United States of America (LSEG US Holdco, Inc)

These visits involved discussing the audit approach with the component team and any issues arising from their work, as well as meeting with local management. In addition, we participated in planning and closing meetings and reviewed selected audit working papers. The primary team interacted regularly with the component teams where appropriate during various stages of the audit and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

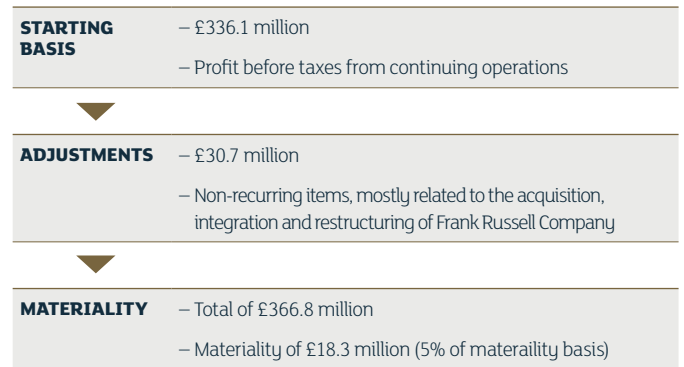
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

- We determined materiality for the Group to be £18.4 million (2014: £12 million), which is 5% (2014: 5%) of pre-tax profit from continuing operations calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-recurring items. Our reference to continuing operations only meant that the results of the Russell Investment Management business which is held for sale at year end and that of the Proquote business which was sold during the year, were not included
- We consider the basis of our materiality to be one of the principal considerations for shareholders of the Company in assessing the financial performance of the Group. It is linked to the key earnings measures discussed when the Group presents the financial results; in addition to non-recurring expenses, the Group also excludes amortisation and impairment of purchased intangibles and goodwill to present adjusted operating profit (these amounts are not excluded from our materiality calculation)

This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. Our evaluation of materiality requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.



During the course of our audit, we reassessed initial materiality and made adjustments based on the final financial performance of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2014: 50%) of our planning materiality, namely £9.2 million (2014: £6 million). We have set performance materiality at this percentage (which is the lowest in the range) due to misstatements which were identified in the prior period audit. In the prior period, performance materiality was also set at 50% of planning materiality, due to it being our initial audit of the Group.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

Independent Auditor's Report to the members of London Stock Exchange Group plc continued

In the current year, the range of performance materiality allocated to components was as follows:

London Stock Exchange Group plc	£1.0m
London Stock Exchange plc	£5.6m
LSEG US Holdco, Inc	£4.7m
London Stock Exchange Group Holdings Italy S.p.A.	£5.1m
LCH.Clearnet Group Ltd	£3.1m
FTSE International Ltd	£4.6m
All specific scope components	£1.0m

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.5 million (2014: £0.5 million), which is less than the usual 5% of planning materiality at the request of the Audit Committee, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting

estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 91, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting

We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

We have no exceptions to report.

Companies Act 2006 reporting

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have no exceptions to report.

Listing Rules review requirements	We are required to review: <ul style="list-style-type: none"> – the Directors' statement in relation to going concern, set out on page 91, and longer-term viability, set out on page 90 – the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review 	We have no exceptions to report.
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Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: <ul style="list-style-type: none"> – the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity – the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated – the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements – the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions 	We have nothing material to add or to draw attention to.
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Ernst & Young LLP

David Canning-Jones (Senior statutory auditor)
 for and on behalf of Ernst & Young LLP, Statutory Auditor
 London
 4 March 2016

Notes:

1. The maintenance and integrity of the London Stock Exchange Group plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

Year ended 31 December 2015	Year ended 31 December 2015			Period ended 31 December 2014			
	Notes	Before acquisition amortisation and non-recurring items £m	Acquisition amortisation and non-recurring items £m	Total £m	Before acquisition amortisation and non-recurring items £m Re-presented ^{1,2}	Acquisition amortisation and non-recurring items £m Re-presented ¹	Total £m Re-presented ^{1,2}
Continuing operations							
Revenue	4	1,324.7	–	1,324.7	884.7	–	884.7
Net treasury income through CCP business	4	85.7	–	85.7	69.1	–	69.1
Other income	4	8.2	–	8.2	3.5	–	3.5
Total income		1,418.6	–	1,418.6	957.3	–	957.3
Cost of sales	4	(125.5)	–	(125.5)	(69.4)	–	(69.4)
Gross profit		1,293.1	–	1,293.1	887.9	–	887.9
Expenses							
Operating expenses	5, 7	(708.4)	(180.8)	(889.2)	(482.4)	(150.3)	(632.7)
Impairment of purchased intangibles and goodwill	5, 7	–	–	–	–	(22.0)	(22.0)
Gain on disposal of assets held for sale	5, 7	–	0.5	0.5	–	–	–
Operating profit/(loss)	7	584.7	(180.3)	404.4	405.5	(172.3)	233.2
Finance income		2.9	–	2.9	2.2	–	2.2
Finance expense		(71.2)	–	(71.2)	(51.5)	(1.8)	(53.3)
Net finance expense	8	(68.3)	–	(68.3)	(49.3)	(1.8)	(51.1)
Profit/(loss) before tax from continuing operations		516.4	(180.3)	336.1	356.2	(174.1)	182.1
Taxation	9	(124.1)	76.0	(48.1)	(91.1)	40.0	(51.1)
Profit/(loss) for the year/period from continuing operations		392.3	(104.3)	288.0	265.1	(134.1)	131.0
Discontinued operations							
Profit/(loss) after tax for the year/period from discontinued operations	10	90.8	(21.7)	69.1	8.8	(2.4)	6.4
Profit/(loss) for the year/period		483.1	(126.0)	357.1	273.9	(136.5)	137.4
Equity holders							
Profit/(loss) for the year/period from continuing operations		358.7	(99.1)	259.6	236.9	(120.3)	116.6
Profit/(loss) for the year/period from discontinued operations	10	90.4	(21.7)	68.7	8.8	(2.4)	6.4
Profit/(loss) for the year/period attributable to equity holders		449.1	(120.8)	328.3	245.7	(122.7)	123.0
Non-controlling interests							
Profit/(loss) for the year/period attributable to non-controlling interests from continuing operations		33.6	(5.2)	28.4	28.2	(13.8)	14.4
Profit for the year/period attributable to non-controlling interests from discontinued operations	10	0.4	–	0.4	–	–	–
Profit/(loss) for the year/period attributable to non-controlling interests		34.0	(5.2)	28.8	28.2	(13.8)	14.4
		483.1	(126.0)	357.1	273.9	(136.5)	137.4
Earnings per share attributable to equity holders							
Basic earnings per share	11			94.6p			37.9p
Diluted earnings per share	11			93.2p			37.4p
Adjusted basic earnings per share	11			129.4p			75.6p
Adjusted diluted earnings per share	11			127.6p			74.7p
Earnings per share for continuing operations attributable to equity holders							
Basic earnings per share	11			74.8p			35.9p
Diluted earnings per share	11			73.7p			35.5p
Adjusted basic earnings per share	11			103.4p			72.9p
Adjusted diluted earnings per share	11			101.9p			72.0p
Dividend per share in respect of the financial year/period:							
Dividend per share paid during the year/period	12			10.8p			20.7p
Dividend per share declared for the year/period	12			25.2p			9.7p

1. Comparative amounts have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

2. Comparative amounts have been re-presented to reflect the presentation of cost of sales and gross profit in the financial statements which resulted in £69.4 million of costs being re-presented from operating expenses to cost of sales.

The notes on pages 103–149 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

Year ended 31 December 2015		Year ended 31 December 2015	Period ended 31 December 2014
	Notes	£m	£m
Profit for the financial year/period		357.1	137.4
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss			
Defined benefit pension scheme remeasurement gain/(loss)	18	7.8	(5.6)
		7.8	(5.6)
Items that may be subsequently reclassified to profit or loss			
Net investment hedge		27.6	23.9
Change in value of available for sale financial assets		3.7	(2.8)
Exchange loss on translation of foreign operations		(62.6)	(104.6)
Tax related to items not recognised in income statement	9	(2.8)	(11.3)
		(34.1)	(94.8)
Other comprehensive loss net of tax		(26.3)	(100.4)
Total comprehensive income for the financial year/period		330.8	37.0
Attributable to non-controlling interests		16.8	(12.7)
Attributable to equity holders		314.0	49.7
Total comprehensive income for the financial year/period		330.8	37.0

The notes on pages 103–149 form an integral part of these consolidated financial statements.

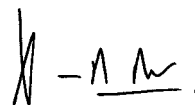
Balance sheets

At 31 December 2015		Group		Company	
		2015 £m	2014 £m (revised) ¹	2015 £m	2014 £m
	Notes				
Assets					
Non-current assets					
Property, plant and equipment	13	93.9	115.6	–	–
Intangible assets	14	3,704.2	4,484.7	–	–
Investment in associates	15	0.3	12.1	–	–
Investment in subsidiary undertakings	16	–	–	4,896.8	4,889.1
Deferred tax assets	17	34.6	76.5	–	–
Derivative financial instruments	20	22.4	22.7	22.4	22.7
Available for sale investments	20	61.0	4.8	–	–
Retirement benefit asset	18	25.2	16.0	–	–
Other non-current assets	20	46.0	64.8	–	–
		3,987.6	4,797.2	4,919.2	4,911.8
Current assets					
Inventories		3.7	6.6	–	–
Trade and other receivables	19	331.3	580.2	550.2	654.4
Derivative financial instruments	20	25.5	0.4	25.1	–
CCP financial assets		428,244.3	429,952.8	–	–
CCP cash and cash equivalents (restricted)		28,444.2	21,493.0	–	–
CCP clearing business assets	20	456,688.5	451,445.8	–	–
Current tax		7.2	24.3	–	–
Assets held at fair value	20	9.9	12.4	–	–
Cash and cash equivalents	22	923.9	1,127.2	0.9	0.2
		457,990.0	453,196.9	576.2	654.6
Assets held for sale	10	1,273.6	5.3	–	–
		463,251.2	457,999.4	5,495.4	5,566.4
Total assets					
Liabilities					
Current liabilities					
Trade and other payables	23	452.4	727.4	201.9	195.0
CCP clearing business liabilities	20	456,663.3	451,467.5	–	–
Current tax		3.5	51.6	–	6.4
Borrowings	24	930.2	789.9	338.6	127.0
Provisions	27	1.5	0.9	–	–
		458,050.9	453,037.3	540.5	328.4
Liabilities directly associated with assets held for sale	10	539.0	–	13.4	–
Non-current liabilities					
Borrowings	24	678.7	936.5	546.5	796.7
Other non-current payables	20, 23	43.5	73.3	–	–
Deferred income		2.2	4.9	–	–
Deferred tax liabilities	17	625.6	861.3	–	–
Retirement benefit obligations	18	40.6	39.8	–	–
Other non-current liabilities	20	65.3	77.5	–	–
Provisions	27	9.3	13.5	–	–
		1,465.2	2,006.8	546.5	796.7
		460,055.1	455,044.1	1,100.4	1,125.1
Net assets					
		3,196.1	2,955.3	4,395.0	4,441.3
Equity					
Capital and reserves attributable to the Company's equity holders					
Ordinary share capital	26	24.0	23.9	24.0	23.9
Share premium	26	960.0	957.7	960.0	957.7
Retained earnings		255.3	20.0	1,592.5	1,641.2
Other reserves		1,504.6	1,524.9	1,818.5	1,818.5
		2,743.9	2,526.5	4,395.0	4,441.3
Non-controlling interests					
		452.2	428.8	–	–
Total equity					
		3,196.1	2,955.3	4,395.0	4,441.3

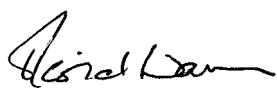
1. The 31 December 2014 comparatives have been revised for IFRS 3 fair value adjustments on the acquisition of Frank Russell Company and Bonds.com.

The notes on pages 103–149 form an integral part of these consolidated financial statements.

The financial statements on pages 98–149 were approved by the Board on 3 March 2016 and signed on its behalf by:



Xavier Rolet
Chief Executive



David Warren
Chief Financial Officer

4 March 2016

London Stock Exchange Group plc. Registered number 5369106

Cash flow statements

Year ended 31 December 2015		Group		Company	
		Year ended 31 December 2015	Period ended 31 December 2014	Year ended 31 December 2015	Period ended 31 December 2014
	Notes	£m	£m	£m	£m
Cash flow from operating activities					
Cash generated from operations	28	734.1	413.4	118.2	30.5
Interest received		1.8	3.1	–	17.6
Interest paid		(65.2)	(61.1)	(51.5)	(51.9)
Corporation tax paid		(172.3)	(65.6)	–	–
Withholding tax paid		(0.5)	(1.9)	–	–
Net cash inflow/(outflow) from operating activities		497.9	287.9	66.7	(3.8)
Cash flow from investing activities					
Purchase of property, plant and equipment		(30.1)	(16.1)	–	–
Purchase of intangible assets		(87.2)	(43.1)	–	–
Disposal proceeds from sale of property, plant and equipment classified as held for sale	7	5.8	–	–	–
Investment in other acquisition		(1.5)	(1.3)	–	–
Investment in subsidiaries		–	–	–	(1,026.1)
Acquisition of businesses	30	(2.9)	(1,687.3)	–	–
Net cash inflow from acquisitions		0.2	290.8	–	–
Dividends received		8.2	0.7	125.2	156.0
Proceeds from sale of investment in a subsidiary	10	21.8	–	–	–
Net cash outflow from disposal of subsidiaries		(0.3)	–	–	–
Net cash (outflow)/inflow from investing activities		(86.0)	(1,456.3)	125.2	(870.1)
Cash flow from financing activities					
Capital raise		–	962.7	–	962.7
Dividends paid to shareholders	12	(115.5)	(56.2)	(115.5)	(56.2)
Dividends paid to non-controlling interests		(7.2)	(4.9)	–	–
Capital contributions in relation to non-controlling interests		12.7	1.3	–	–
Loans to subsidiary companies		–	–	(39.4)	(133.4)
Purchase of own shares by ESOP Trust		–	(0.5)	–	–
Proceeds from own shares on exercise of employee share options		2.4	–	2.4	–
Investment in available for sale financial assets		(63.7)	–	–	–
Proceeds from finance lease		–	1.8	–	–
Repayments of finance lease		(6.8)	(1.2)	–	–
Proceeds from borrowings		–	519.9	–	101.0
Repayments of borrowings		(143.5)	–	(38.7)	–
Net cash (outflow)/inflow from financing activities		(321.6)	1,422.9	(191.2)	874.1
Increase in cash and cash equivalents					
Cash and cash equivalents at beginning of year/period		1,127.2	919.2	0.2	–
Exchange loss on cash and cash equivalents		(41.1)	(46.5)	–	–
Cash and cash equivalents at end of year/period		1,176.4	1,127.2	0.9	0.2
Cash and cash equivalents at end of year/period from continuing operations	20	923.9	1,127.2	0.9	0.2
Cash and cash equivalents at end of year/period from discontinued operations	10	252.5	–	–	–
Cash and cash equivalents at end of year/period		1,176.4	1,127.2	0.9	0.2

The notes on pages 103–149 form an integral part of these consolidated financial statements.

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation. Interest on CCP balances are received net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow for the Group, and is shown separately in the cash flow statement.

Statements of changes in equity

Group	Notes	Attributable to equity holders						Non-controlling interests	Total equity
		Ordinary share capital	Share premium	Retained earnings/(losses)	Other reserves	Total attributable to equity holders			
		£m	£m	£m	£m	£m	£m		
31 March 2014		18.8	–	(46.2)	1,592.4	1,565.0	438.0	2,003.0	
Profit for the period		–	–	123.0	–	123.0	14.4	137.4	
Other comprehensive income for the period		–	–	(5.8)	(67.5)	(73.3)	(27.1)	(100.4)	
Issue of shares	26	0.1	–	–	–	0.1	–	0.1	
Rights Issue	26	5.0	957.7	–	–	962.7	–	962.7	
Final dividend relating to the year ended 31 March 2014	12	–	–	(56.2)	–	(56.2)	–	(56.2)	
Dividend payments to non-controlling interests		–	–	–	–	–	(4.9)	(4.9)	
Employee share scheme expenses		–	–	5.2	–	5.2	–	5.2	
Purchase of non-controlling interest within acquired subsidiary		–	–	–	–	–	8.4	8.4	
31 December 2014		23.9	957.7	20.0	1,524.9	2,526.5	428.8	2,955.3	
Profit for the year		–	–	328.3	–	328.3	28.8	357.1	
Other comprehensive income/(loss) for the year		–	–	6.0	(20.3)	(14.3)	(12.0)	(26.3)	
Issue of shares	26	0.1	2.3	–	–	2.4	–	2.4	
Interim dividend relating to the period ended 31 December 2014	12	–	–	(33.6)	–	(33.6)	–	(33.6)	
Final dividend relating to the period ended 31 December 2014	12	–	–	(44.4)	–	(44.4)	–	(44.4)	
Interim dividend relating to the year ended 31 December 2015	12	–	–	(37.5)	–	(37.5)	–	(37.5)	
Dividend payments to non-controlling interests		–	–	–	–	–	(7.2)	(7.2)	
Employee share scheme expenses, net of tax		–	–	16.5	–	16.5	–	16.5	
Capital contributions in relation to non-controlling interest		–	–	–	–	–	13.8	13.8	
31 December 2015		24.0	960.0	255.3	1,504.6	2,743.9	452.2	3,196.1	

The notes on pages 103–149 form an integral part of these consolidated financial statements.

Shares held in the Employee Benefit Trust to settle exercises on employee share awards were 462,378 (31 December 2014: 595,179).

Other reserves comprise the following:

Merger reserve of £1,304.3 million (31 December 2014: £1,304.3 million), a distributable reserve arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary undertakings.

Capital redemption reserve of £514.2 million (31 December 2014: £514.2 million), a non-distributable reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512.5) million (31 December 2014: £(512.5) million), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £184.3 million (31 December 2014: £232.5 million), a non-distributable reserve reflecting the impact of foreign currency changes on the translation of foreign operations.

Hedging reserve of £14.3 million (31 December 2014: £(13.6) million), a non-distributable reserve representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

Company	Notes	Attributable to equity holders					
		Ordinary share capital	Share premium	Retained earnings	Other reserves		Total attributable to equity holders
					Capital redemption reserve	Merger reserve	
£m	£m	£m	£m	£m	£m		
31 March 2014		18.8	–	1,531.6	514.2	1,304.3	3,368.9
Profit for the period		–	–	159.7	–	–	159.7
Issue of shares	26	0.1	–	–	–	–	0.1
Rights issue	26	5.0	957.7	–	–	–	962.7
Final dividend relating to the year ended 31 March 2014	12	–	–	(56.2)	–	–	(56.2)
Employee share scheme expenses		–	–	6.1	–	–	6.1
31 December 2014		23.9	957.7	1,641.2	514.2	1,304.3	4,441.3
Profit for the year		–	–	54.1	–	–	54.1
Issue of shares	26	0.1	2.3	–	–	–	2.4
Interim dividend relating to the period ended 31 December 2014	12	–	–	(33.6)	–	–	(33.6)
Final dividend relating to the period ended 31 December 2014	12	–	–	(44.4)	–	–	(44.4)
Interim dividend relating to the year ended 31 December 2015	12	–	–	(37.5)	–	–	(37.5)
Employee share scheme expenses, net of tax		–	–	12.7	–	–	12.7
31 December 2015		24.0	960.0	1,592.5	514.2	1,304.3	4,395.0

The notes on pages 103–149 form an integral part of these financial statements.

Notes to the financial statements

1. Basis of preparation and accounting policies

The Company's and Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before amortisation of purchased intangible assets and non-recurring items. This is the profit measure used to calculate adjusted earnings per share and is considered to be the most appropriate as it best reflects the Group's underlying, recurring cash earnings and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition amortisation and non-recurring items is reconciled to profit before taxation on the face of the income statement.

Amounts in the income statement for the 9 month period ended 31 December 2014 have been re-presented to reflect the inclusion of 2 additional performance measures, being cost of sales and gross profit, on the face of the income statement. This resulted in £69.4 million of costs from continuing operations being re-presented from operating expenses into cost of sales. The change in presentation is to further assist users in understanding the financial performance of the Group and does not impact previously reported profit before tax or profit after tax for the period.

The comparative income statement for the 9 month period ended 31 December 2014 has also been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations. Further details are provided in Note 10.

In the prior year, the Group changed its financial year end to 31 December. As a consequence, the financial statements show results for the year to 31 December 2015, with the comparatives for the 9 months to 31 December 2014.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's income for the year is disclosed within the statement of changes in equity.

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Upon completion of the Group's fair value exercise, comparatives are revised up to 12 months after the acquisition date, for the final fair value adjustments. Further details are provided in Note 30. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity. Where the non-controlling interest has an option to dispose of their holding to the Group, then these costs are recognised at the fair value of the option at the balance sheet date.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Comparatives are also re-presented to reclassify disposed businesses or held for sale businesses as discontinued operations.

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

Recent accounting developments

There were no standards, interpretations or amendments issued by the International Accounting Standards Board (IASB) and IFRIC, effective as of 1 January 2015 that have been newly adopted in these financial statements.

The following standards and interpretations were issued by the IASB and IFRIC, but have not been adopted either because they were not endorsed by the EU at 31 December 2015 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review:

International accounting standards and interpretations	Effective date
Amendments to IFRS 11, 'Joint arrangements' on accounting for acquisitions of interest in joint operations	1 January 2016
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 27, 'Separate financial statements' on equity method in separate financial statements	1 January 2016
Annual Improvements 2012–2014	1 January 2016
Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 28, 'Associates and joint ventures' on applying the consolidated exception for investment entities	1 January 2016
Proposed amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 9 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting	1 January 2018
IFRS 15 'Revenue from contracts with customers'	1 January 2018
IFRS 16 'Leases'	1 January 2019

Notes to the financial statements continued

Accounting policies

Income Statement

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes.

Revenue is recognised in the period when the service or supply is provided.

The sources of revenue are:

- a) Maintenance contracts, membership and other fees – revenue is recognised on a straight-line basis over the period to which the fee relates
- b) Admission fees – revenue is recognised at the time of admission to trading
- c) Clearing fee income and rebates, together with other fee income and net settlement fees, are recognised on a transaction by transaction basis in accordance with the Group's fee scales
- d) Royalties – revenue is recognised at the date at which they are earned or measurable with certainty
- e) IT products – where there is no significant service obligation the revenue is recognised upon delivery and acceptance of the software or hardware by the customer, in other circumstances revenue is recognised on provision of contracted services
- f) IT solutions – where software is sold requiring significant modification, integration or customisation, the consideration is allocated between the different elements on a fair value basis. Revenue is recognised using a percentage of completion method. The stage of completion is determined by reference to the costs incurred to date as a proportion of the total estimated costs or the services performed to date as a percentage of total services to be performed. Provision is made for all foreseeable future losses in the period in which they are identified
- g) Software and Licence fees – revenue is recognised when the performance under the contract has occurred and the revenue has been earned
- h) Other – all other revenue is recognised in the month in which the service is provided. The Borsa Italiana Group defers some of the income received from cash trading and FTSE MIB futures trading and clearing. This deferral results in revenues being recognised at the average price of transactions forecast for the full year, as pricing levels reduce during the year when incremental volume targets are achieved

The main source of revenue is through fees.

Cost of sales

Cost of sales comprises data and licence fees, data feed costs, expenses incurred in respect of revenue share arrangements and costs incurred in the MillenniumIT business that are directly attributable to the construction and delivery of customers' goods or services, and any other costs linked and directly incurred to generate revenues and provide services to customers.

Non-recurring items

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

Pension costs

The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial

gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred.

Share based compensation

The Group operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

Foreign currencies

The consolidated financial statements are presented in sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Exceptions to this are where the non-monetary items form part of the net investment in a foreign operation or are designated as hedges of a net investment, or as cash flow hedges. Such exchange differences are initially recognised in equity.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

- a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate
- b) income and expenses are translated and recorded in the income statement at the average monthly rates prevailing
- c) all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Finance income and expense

Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period, and calculated using the effective interest rate method.

Recurring fees and charges levied on committed bank facilities and the payments and cash management transactions and services provided by the Group's banks are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to protected utilisation. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments held as fair value hedges.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Balance Sheet**Property, plant and equipment**

Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Freehold buildings, fixed plant and plant and equipment are stated at cost and are depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets which are as follows:

- a) Freehold buildings – 30 to 50 years
- b) Fixed plant – 3 to 20 years
- c) Plant and equipment – 3 to 15 years

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

The Group leases certain plant and equipment where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the liability so as to achieve a constant rate on the finance balance outstanding. Plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Intangible assets

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives which are as follows:

- a) Customer and supplier relationships – 2 to 25 years (material assets are amortised over a life exceeding 15 years)
- b) Brands – 10 to 25 years (material assets are amortised over a life of 25 years)
- c) Software licenses and intellectual property – 2 to 25 years (the majority of material assets are amortised over a life not exceeding 5 years)

The useful economic lives are based on management's best estimates such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands and pace of change of regulation for business.

Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of 3 to 5 years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third party expenses, and amortised over their useful economic lives of 3 to 5 years.

Intangible assets are assessed for any indicators of impairment at each balance sheet date. Where indicators of impairment for a particular intangible asset are identified, a full impairment assessment is performed, with any diminution in value recognised in the income statement. When performing any impairment assessment, in addition to considering matters particular to the relevant Group business area, management evaluates the overall value of the asset from the perspective of a market participant. Accordingly, any reduction in value recorded represents the Group's view of the market fair value of the intangible asset.

Current and non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for trade or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within 1 year from the reporting date. All other liabilities are classified as non-current liabilities.

Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantially enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

Financial assets and liabilities**Financial assets (excluding clearing business)**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivables. The classification of the Group's financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for liquidity purposes, they are initially recognised at fair value and any subsequent changes in fair value are recognised directly in the income statement. These assets are financial instruments not designated as hedges.
- b) Available-for-sale financial assets
Investments (other than term deposits and interests in joint ventures, associates and subsidiaries) are designated as available-for-sale and are recorded on trade date at fair value plus transaction costs with changes in fair value recognised in equity. Cumulative fair value gains or losses on an asset are recycled through the income statement when the asset is disposed or impaired. Where the fair value is not reliably measurable, the investment is held at cost less any provision for impairment. Assets such as shares in clearing and payment transmission operations and long-term equity investments that do not qualify as associates or joint ventures are usually classified as available-for-sale.

Notes to the financial statements continued

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Financial assets are derecognised when the right to receive cash-flows from the assets has expired, or has been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Financial liabilities

Financial liabilities are classified at initial recognition as either financial liabilities at fair value through profit or loss or financial liabilities at amortised cost. Financial liabilities at fair value through profit and loss include CCP financial liabilities (see below) and other non-current liabilities. Financial liabilities at amortised cost include trade and other payables, borrowings and provisions.

Subsequent to initial recognition, financial liabilities at amortised cost are measured using the effective interest rate method, with gains and losses recognised in finance income and expenses respectively. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets and liabilities of the central counterparty (CCP) business

Assets and liabilities of the CCP clearing service relate to subsidiaries that perform the CCP clearing business. The activities include clearing of financial derivatives, equities and bond transactions on regulated markets. The Group enters into a contractual arrangement in respect of each side of the transaction, bears the risk associated with counterparties failing to honour their obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete the delivery. Accordingly, the Group must record an asset and a liability on its balance sheet in respect of each of the sale and purchase sides of each transaction. However, except in respect of failed transactions the Group as a CCP clearer does not bear any price risk and the value of the sale and purchase side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other. The Group has adopted the settlement date as the reference date for recognising financial assets.

Income recognised through the CCP clearing business includes net treasury income earned on margin and default funds, held as part of our Risk Management process, and is shown separately from the Group revenues. Net treasury income is the result of interest earned on cash assets lodged with the clearing house, less interest paid to the members on their initial margin and default fund contributions. Net treasury income has been shown separately on the face of the income statement to distinguish this income stream from revenues arising from the Group's other activities and provides the reader with a greater understanding of the operating activities of the Group. Where negative interest rates apply, the Group recognises interest paid on cash assets as a net treasury expense and interest received on clearing member's margin as net treasury income.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Accounting treatments of CCP financial assets and liabilities include the following:

- a) Derivatives, trading assets and liabilities
These transactions are initially recorded at fair value, and are subsequently re-measured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no net fair value gains or losses are recognised in the income statement.
- b) Receivables for and liabilities under repurchase transactions
These represent repurchase transactions (repos) by clearing members using the Group's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term. These transactions are initially recognised at fair value and are subsequently measured at amortised cost, by allocating the yield on the repo pro-rated over the duration of the contract (the coupon accrued in the period and the difference between the spot and forward prices). Since the asset and liability positions for repos are matched, the same amount is recorded for both assets and liabilities and no gain or loss is recorded in the income statement.
- c) Other receivables from and payables to clearing members and default funds
These comprise accounts receivable and payable deriving from the activities of clearing members in derivatives, equities and bond transactions. They mainly represent amounts to be received or paid in relation to initial and variation margins, option premiums, securities as collateral and default fund contributions and are initially recorded at fair value. They are generally settled on the next day and, accordingly, are not discounted back to current value. Default funds absorb any losses incurred by the Group in the event of clearing members default where margin collateral is insufficient to cover the management and close out of the positions of the defaulting members.
- d) Financial assets and liabilities at fair value
These represent quoted equity and bond securities which have already withdrawn from the settlement system but have not yet delivered to the intermediaries who have bought them and securities traded but not yet settled as part of the CCP function. These are initially recognised at fair value and subsequently re-measured at fair value, based on the market price of each security. The difference between the settlement price of each security at trade date and the market price of that security at the period end is recognised as a fair value gain or loss in the income statement.
- e) Held to maturity
These are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. After initial measurement held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate less impairment. The amortisation of any premium or discount is included in interest income.
- f) Cash and cash equivalents (restricted)
These include amounts received from clearing members to cover initial and variation margins and default fund contributions as collateral against default or insolvency and are deposited with banks. Such amounts are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

The Group applies fair value hedge accounting for hedging interest rate risk on borrowings. Any gain or loss is recognised in the income statement within finance expenses.

The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

The Group hedges a proportion of its net investment in its Italian companies by designating euro borrowings as a net investment hedge.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its Risk Management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Put options written on non-controlling interests

Commitments to purchase minority interests and put options granted to minority shareholders are recognised at fair value as a financial liability. When the financial liability is recognised initially, the redemption amount is reclassified from equity. The changes in the measurement of the financial liability are recognised in the income statement. Changes in the measurement of that financial liability do not change the relative interests in the subsidiary that are held by the parent and the non-controlling-interest shareholder and therefore are not equity transactions.

Trade receivables

Trade receivables are non-interest bearing and are stated at their fair value, which is usually the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or will be subject to a financial reorganisation or default on, or be delinquent on, its payment obligations are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short-term deposits and investments in money market funds and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Assets and liabilities held for sale

Assets and liabilities are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Borrowings

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

Preference shares

Preference shares or components of preference shares are classified on initial recognition as a financial liability or equity based on the terms of the contract. They are classified as a financial liability if the terms impose a contractual obligation to deliver cash.

Provisions

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

The amount recognised as a provision shall be the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that the Group would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

Property provisions are made in the financial statements at the lower of the cost of fulfilling lease commitments for property space surplus to business requirements after taking into account income from sub-letting, and any compensation or penalties arising from failure to fulfil the lease commitments.

All provisions are discounted where the time value of money is considered material.

Equity and related items**Share capital**

The Company's own shares held by the Employee Benefit Trust are deducted from equity until they vest unconditionally for employees and are held at cost. Consideration paid in respect of these treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.

Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the financial statements continued

2. Financial Risk Management

The Group seeks to protect its financial performance and the value of its business from exposure to capital, credit, concentration, country, liquidity and market (including foreign exchange, fair value and cash flow, interest rate and other price) risks.

Financial Risk Management is not speculative. It is performed both at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and also locally, where operating units manage their regulatory and operational risks. This includes clearing operations at the Group's CCPs (at LCH.Clearnet Group and CC&G) and investment management activities at the Frank Russell Company that adhere to local regulation and operate under locally approved risk and investment policies.

The Group Chief Risk Officer's team provides assurance that the Group's Risk Management, governance and internal control processes are operating effectively. The Financial Risk Committee, a sub-committee of the Group Executive Committee and chaired by the Chief Financial Officer, meets monthly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-committee of the Financial Risk Committee (which is also chaired by the Chief Financial Officer), meets regularly to monitor the management of and controls around foreign exchange, interest rates, credit and concentration risks and the investment of excess liquidity in addition to its oversight of the Group's funding arrangements. Both committees provide the Group's senior management with assurance that the treasury and risk operations are performed in accordance with Group Board approved policies and procedures. Regular updates, on a range of key criteria as well as new developments, are provided through the Enterprise Risk Management Framework to the Group Risk Committee. See Risk Management oversight, pages 44–45, for further detail on the Group's risk framework.

Capital risk

Risk description	Risk management approach
<p>The Group is profitable and strongly cash generative and its capital base comprises equity and debt capital.</p> <p>However, the Group recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return.</p> <p>The Group comprises regulated and unregulated entities. It considers that:</p> <ul style="list-style-type: none"> – increases in the capital requirements of its regulated companies; or – negative yields on its investments of cash; or – a scarcity of debt or equity (driven by its own performance or financial market conditions) <p>either separately or in combination are the principal risks to managing its capital.</p>	<p>The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining the flexibility to invest for growth is a key capital management consideration.</p> <p>As at 31 December 2015, the book value of the Group's consolidated equity before non-controlling interests was £2,743.9 million (31 December 2014: £2,526.5 million) and the book value of its consolidated debt was £1,608.9 million (31 December 2014: £1,726.4 million). The Group can manage its capital structure and react to changes in economic conditions by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom.</p> <p>Whilst the Company is unregulated, the regulated entities within the Group continuously monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the Financial Risk Committee includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that compliance with local regulations is maintained and that there is a robust evaluation, undertaken by the Group's Investment Committee, of the impact of new investments, across the Group, on its capital position. Regulated entities within the Group have to date predominantly issued equity and hold cash to satisfy their local regulatory capital requirements. At 31 December 2015, £952.8 million was held to meet regulatory and operational requirements across these entities. This amount has remained relatively stable through the year and includes cash, cash equivalents and liquid investments classified as financial assets held at fair value and comprises the Frank Russell Company's cash and cash equivalents held to meet the regulatory requirements of its investment management business, the LCH.Clearnet Group's regulated cash and cash equivalents, and the £200.0 million generally set aside by other Group operations. £719.1 million of this amount has been included in cash and cash equivalents from continuing operations (31 December 2014: £1,011.3 million). We believe that amounts held by Group companies are sufficient to comfortably support current regulatory frameworks. The level of amounts set aside by the Group for these purposes remains subject to on-going review with regulators, particularly in Europe and the USA.</p> <p>To maintain the financial strength to access new capital at reasonable cost and sustain an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt after excluding cash and cash equivalents set aside for regulatory and operational purposes) to adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items) against a target range of 1–2 times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies in considering increases to its borrowings.</p> <p>As at 31 December 2015, net leverage had reduced back to 1.7 times (31 December 2014: 2.1 times), and is within the Group's target range. The Group is comfortably in compliance with its bank facility ratio covenants (net leverage and debt service) and these measures do not inhibit the Group's operations or its financing plans.</p>

Credit and concentration risk

Risk description

The Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including:

- customer receivables
- repayment of invested cash and cash equivalents
- settlement of derivative financial instruments

In their roles as central counterparty (CCP) clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see Principal risks and uncertainties, pages 46–53.

Notwithstanding regulations in Europe and the US that require CCPs to invest predominantly in secured instruments or structures (such as government bonds and reverse repos), CC&G and the LCH.Clearnet Group CCPs continue to be able to maintain up to 5% of their total deposits at commercial banks on an unsecured basis. Through this potential for its CCPs to invest on an unsecured basis (as well as by certain other regulated and unregulated operations observing agreed investment policy limits), the Group will continue to face the risk of direct loss from a deterioration or failure of 1 or more of its unsecured investment counterparties.

Concentration risk may arise through Group entities having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs.

Risk management approach

Group

Credit risk is controlled through policies developed at a Group level.

Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. Furthermore, the Group is exposed to a large number of customers and so concentration risk on its receivables is deemed by management as low.

Non-CCP entities

Credit risk of cash and cash equivalents is managed by limiting exposure to counterparties with credit rating levels below policy minimum thresholds, potentially overlaid by a default probability assessment. Except where specific approval is arranged to increase this limit for certain counterparties, a maximum of £50.0 million may be invested for up to 12 months with counterparties rated long term AAA (or equivalent), through to a maximum £25 million overnight with counterparties rated short term A-2 (or equivalent). Derivative transactions and other treasury receivable structures are undertaken or agreed with well capitalised counterparties and are authorised by policy, to limit the credit risk underlying these transactions.

CCPs

To address the market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP might incur in order to close out open positions in the event of the member's default. Margins are calculated using established and internationally acknowledged risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required and non-cash collateral is re-valued daily.

		31 December 2015	31 December 2014
		£ bn	£ bn
Clearing members' margin liability		(85.7)	(70.6)
Collateral security	Cash	45.6	38.8
	Non-cash	40.1	31.8
Maximum aggregate margin liability for the year/period		(99.6)	(80.1)

Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. Furthermore, each of the Group's CCPs reinforces its capital position to meet the most stringent relevant regulatory requirements applicable to it, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure. An analysis of the aggregate clearing member contributions to default funds across the CCPs is shown below:

	31 December 2015	31 December 2014
	£ bn	£ bn
Clearing member contributions to default funds		
Aggregate at year/period end	9.4	10.3
Maximum during the year/period	10.6	10.6

Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed "secure" by the relevant regulatory bodies including through direct investments in highly rated, "regulatory qualifying" sovereign bonds and supra-national debt, investments in tri-party and bi-lateral reverse repos (receiving high quality government securities as collateral) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor.

	31 December 2015	31 December 2014
	£ bn	£ bn
Total investment portfolio	54.3	43.5
Weighted average invested securely	99.0%	99.1%
Overall maturity (days)	90	85
Maximum portfolio size	61.1	51.6

Associated liquidity risks are considered in the investment mix and discussed further below.

To address concentration risk, the Group maintains a diversified portfolio of high quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 December 2015 was 24.8% of the total investment portfolio to the French Government (31 December 2014: 11.4% to the US Government).

Notes to the financial statements continued

Country risk

Risk description	Risk management approach
Distress can result from the risk that certain governments may be unable or find it difficult to service their debts. This could have adverse effects, particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.	Specific risk frameworks manage country risk for both fixed income clearing and margin collateral and all clearing members are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an on-going watch over these risks and the associated policy frameworks to protect the Group against potentially severe volatility in the sovereign debt markets.

The Group's sovereign exposures of £1 billion or more at the end of either of the financial reporting periods shown below are:

Group Aggregate Sovereign Treasury Exposures	31 December 2015	31 December 2014
Country	£ bn	£ bn
France	13.4	5.0
Italy	5.6	3.7
USA	4.0	5.8
UK	2.6	–
Spain	1.9	1.6
Belgium	1.5	1.5
Germany	–	2.2

Liquidity, settlement and custodial risk

Risk description	Risk management approach
<p>The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations.</p> <p>In addition, the Group's CCPs, the Frank Russell Company investment management businesses and certain other subsidiary companies are required to maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member.</p> <p>The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations.</p> <p>The Group uses third party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration.</p>	<p>The combined Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, support acquisitions or repay borrowings. With the exception of regulatory constraints impacting the Group's CCPs, the Frank Russell Company investment management businesses and certain other regulated entities, funds can generally be lent across the Group or remitted through dividend payments and this is an important component of the Group Treasury cash management policy and approach.</p> <p>Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions.</p> <p>Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly. During the year ended 31 December 2015, new committed 5 year revolving credit facilities totalling £600 million were arranged by the Company to underpin the Group's financial flexibility and replace the £700 million facility arranged in 2013. The new facility bolsters facility headroom over the medium term and represents the first phase of a review of current facilities in conjunction with a refinancing of the next scheduled debt maturity in July 2016. At 31 December 2015 £518.3 million of the Group's facilities were unutilised.</p> <p>The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to ensure that appropriate levels of back up liquidity are in place to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see Credit and concentration risk section above). The Group's CCPs monitor their liquidity needs daily under stressed and unstressed assumptions.</p> <p>In addition, certain Group companies, including the CCPs, maintain operational support facilities from banks to manage intraday and overnight liquidity.</p> <p>Where possible, the Group employs guaranteed delivery versus payment settlement techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer.</p> <p>Custodians are subject to minimum eligibility requirements, ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place.</p> <p>The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows. The borrowings line includes interest on debt that is not yet accrued for.</p>

At 31 December 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
Borrowings	973.8	178.3	338.4	314.3
Trade and other payables	463.6	–	–	–
CCP liabilities	456,663.3	–	–	–
	458,100.7	178.3	338.4	314.3

At 31 December 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
Borrowings	832.3	107.9	728.6	314.3
Trade and other payables	727.4	–	–	–
CCP liabilities	451,467.5	–	–	–
	453,027.2	107.9	728.6	314.3

Market risk – Foreign Exchange

Risk description

The Group operates primarily in the UK, Europe and North America, but also has growing and strategically important businesses in Asia, and other alliances and investments across the globe. Its principal currencies of operation are sterling, euro and US dollars.

With the exception of MillenniumIT (a Sri Lankan Rupee reporting entity), which invoices a material proportion of its revenues in US dollars, and LCH.Clearnet Limited (a euro reporting entity), which incurs a majority of its costs in sterling, Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, sterling, and from occasional, high value intragroup transactions.

Intragroup dividends may create short term transactional FX exposures but play their part in controlling the level of translational FX exposures the Group faces.

The Group may be exposed from time to time to strategic investments in currencies other than sterling.

Risk management approach

The Group seeks to match the currency of its debt liabilities to the currency of its earnings and cash flows while endeavouring to balance the currency of its assets with its liabilities. In order to mitigate the impact of unfavourable currency exchange movements on earnings and net assets, non-sterling cash earnings are centralised and applied to matching currency debt and interest payments, and where relevant, interest payments on sterling debt re-denominated through the use of cross-currency swaps.

A proportion of the Group's debt is held in or swapped into euro and a proportion is held in US dollars. As at 31 December 2015, £132.2 million of drawn debt was euro denominated (31 December 2014: £140.2 million) and £368.5 million (31 December 2014: £389.5 million) of cross-currency swaps, directly linked to sterling debt, were designated as a hedge of the net investment in the Italian Group. As at 31 December 2015, £591.6 million of drawn debt was US dollar denominated (31 December 2014: £662.1 million) and provided a hedge of the net investment in the Frank Russell Company. A profit of £12.5 million for the year ended 31 December 2015 (period to 31 December 2014: profit of £13.0 million) on foreign currency borrowings, inter company loan assets and liabilities and cross-currency swap hedges was recognised in equity. The net investment hedges were fully effective.

Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires that cash flows of more than £1 million or equivalent per annum should be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Where possible, hedge accounting for derivatives is considered in order to mitigate material levels of income statement volatility.

In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. The Group has considered movements in the euro and the US dollar over the year ended 31 December 2015 and period ended 31 December 2014, and has concluded that a 10% movement in rates is a reasonable level to measure the risk to the Group. The impact on post tax profit and equity for the year/period ended 31 December is set out in the table below:

		31 December 2015		31 December 2014	
		Post tax profit	Equity	Post tax profit	Equity
		£m	£m	£m	£m
Euro	Sterling weaken	3.5	17.7	4.3	14.2
	Sterling strengthen	(3.1)	(16.0)	(3.9)	(12.4)
US dollar	Sterling weaken	3.8	(51.2)	2.8	(58.7)
	Sterling strengthen	(3.4)	46.4	(2.6)	53.3

This reflects foreign exchange gains or losses on translation of euro and US dollar denominated trade receivables, trade payables, financial assets at fair value through profit or loss including euro and US dollar denominated cash and borrowings.

The impact on the Group's operating profit for the year before amortisation of purchased intangible assets and non-recurring items, of a 10 euro cent and 10 US dollar cent movement in the sterling-euro and sterling-US dollar rates respectively, can be seen below:

		31 December 2015	31 December 2014
		£m	£m
Euro	Sterling weaken	24.5	19.1
	Sterling strengthen	(21.2)	(15.2)
US dollar	Sterling weaken	5.5	12.6
	Sterling strengthen	(6.3)	(11.1)

Notes to the financial statements continued

Market risk – Cash Flow and Fair Value Interest Rate Risk

Risk description	Risk management approach
The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates.	Group interest rate management policy focusses on protecting the Group's credit rating and maintaining compliance with bank covenant requirements. To support this objective, a minimum coverage of interest expense by EBITDA of 7 times, and a maximum floating rate component of 50% of total debt are targeted. This approach reflects:
The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their investment activities.	<ul style="list-style-type: none"> (i) a focus on the Group's cost of gross debt rather than its net debt given the material cash and cash equivalents held specifically for regulatory purposes; (ii) the short duration allowed for investments of cash and cash equivalents held for regulatory purposes which, by their nature, generate low investment yields; (iii) a view that already low market yields are unlikely to move materially lower; and (iv) the broad natural hedge of floating rate borrowings provided by the significant balances of cash and cash equivalents held effectively at floating rates of interest.
	As at 31 December 2015, consolidated net interest expense cover was measured over the 12 month period at 11.7 times (31 December 2014: 9.4 times) and the floating rate component of total debt was 42% (31 December 2014: 46%).
	In the Group's CCPs, interest bearing assets are generally invested for a longer term than interest bearing liabilities, whose interest rate is reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily.
	In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2015, at the Group level, if interest rates on sterling-denominated, euro-denominated and US dollar-denominated cash and borrowings had been 1 percentage point higher with all other variables held constant, post-tax profit for the year would actually have been £2.8 million higher (31 December 2014: £1.5 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents partially offset by higher interest expense on floating rate borrowings.
	At 31 December 2015, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for euro, US dollar and sterling liabilities respectively, had been 1 percentage point higher, with all other variables held constant, the daily impact on post-tax profit for the Group would have been £1.0 million lower (31 December 2014: £1.0 million lower). This deficit would be recovered as investment yields increase as the portfolio matures and is re-invested.

Market risk – Other Price Risk

Risk description	Risk management approach																																									
The Frank Russell Company investment management business has material funds under management.	The Group announced on 8 October 2015 that it has agreed the sale of the investment management business of the Frank Russell Company in its entirety, subject to customary regulatory and other necessary approvals. The Group continues to progress well with the sale process.																																									
Other price risk arises if, as a result of changes in market prices, the fair value or cash flows associated with Frank Russell Company's managed financial instruments fluctuates (and potentially decline in value).	At 31 December 2015, 67% of the Frank Russell Company investment management business's assets under management was invested in equities and alternatives (31 December 2014: 67%). If the value of these assets had decreased by 10%, Frank Russell Company's total Net Investment Management Revenue for the year to 31 December 2015 would have seen a corresponding fall of approximately £24 million (period ended 31 December 2014: £29 million). Russell is well diversified in terms of geography, client type and products and strategies. It maintains a balanced approach across these criteria as shown below:																																									
	<table border="1"> <thead> <tr> <th></th> <th></th> <th>31 December 2015</th> <th>31 December 2014</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Geography</td> <td>Assets under management</td> <td>US based</td> <td>47%</td> <td>47%</td> </tr> <tr> <td>Clients</td> <td>Non-US based</td> <td>53%</td> <td>53%</td> </tr> <tr> <td></td> <td>Number of countries</td> <td>35</td> <td>35</td> </tr> <tr> <td rowspan="3">Client</td> <td rowspan="2">Client type</td> <td>Institutional</td> <td>65%</td> <td>64%</td> </tr> <tr> <td>US based retail</td> <td>23%</td> <td>24%</td> </tr> <tr> <td></td> <td>Non-US based retail</td> <td>12%</td> <td>12%</td> </tr> <tr> <td></td> <td>Number of institutional clients and retail partners</td> <td>1,700</td> <td>1,800</td> </tr> <tr> <td>Product / Strategy</td> <td>Number of funds and separate accounts</td> <td>>400</td> <td>>400</td> </tr> <tr> <td></td> <td>Assets under management represented in top 20 products</td> <td>30%</td> <td>32%</td> </tr> </tbody> </table>			31 December 2015	31 December 2014	Geography	Assets under management	US based	47%	47%	Clients	Non-US based	53%	53%		Number of countries	35	35	Client	Client type	Institutional	65%	64%	US based retail	23%	24%		Non-US based retail	12%	12%		Number of institutional clients and retail partners	1,700	1,800	Product / Strategy	Number of funds and separate accounts	>400	>400		Assets under management represented in top 20 products	30%	32%
		31 December 2015	31 December 2014																																							
Geography	Assets under management	US based	47%	47%																																						
	Clients	Non-US based	53%	53%																																						
		Number of countries	35	35																																						
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The Frank Russell Company does not guarantee the performance of its investment management business.

3. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant judgements and estimates for the year ended 31 December 2015 are as follows:

Goodwill – tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management’s best estimate of future performance and estimates of the return required by investors to determine an appropriate discount rate. Sensitivity analysis is provided in note 14;

Intangible assets acquired as part of a business combination – valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management’s best estimates of future performance and periods over which value from the intangible assets are realised; and

Defined benefit pension asset or liability – determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. Sensitivity analysis is provided in note 18.

4. Segmental Information

The Group is organised into operating units based on its service lines and has 6 reportable segments. The Executive Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Sales between segments are carried out at arm’s length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the income statement.

Segmental disclosures for the year ended 31 December 2015 are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH.Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	330.3	89.8	302.1	517.4	80.6	4.5	–	1,324.7
Inter-segmental revenue	–	0.9	–	–	12.9	–	(13.8)	–
Revenue	330.3	90.7	302.1	517.4	93.5	4.5	(13.8)	1,324.7
Net treasury income through CCP business	–	29.3	56.4	–	–	–	–	85.7
Other income	–	–	2.2	–	–	6.0	–	8.2
Total income	330.3	120.0	360.7	517.4	93.5	10.5	(13.8)	1,418.6
Cost of sales	(15.1)	(6.7)	(28.3)	(45.4)	(28.3)	(1.7)	–	(125.5)
Gross profit	315.2	113.3	332.4	472.0	65.2	8.8	(13.8)	1,293.1
Operating profit/(loss) before amortisation of purchased intangible assets and non-recurring items	170.9	51.8	90.9	270.6	6.4	(2.1)	(3.8)	584.7
Amortisation of purchased intangible assets								(149.6)
Non-recurring items								(30.7)
Operating profit								404.4
Net finance expense								(68.3)
Profit before taxation from continuing operations								336.1
Other income statement items								
Depreciation and software amortisation	(10.5)	(6.7)	(28.5)	(11.6)	(5.4)	(0.2)	4.0	(58.9)

Notes to the financial statements continued

Revenue from external customers principally comprises fees for services rendered amounting to £1,239.6 million (period ended 31 December 2014: £833.3 million) and Technology Services amounting to £80.6 million (period ended 31 December 2014: £47.3 million).

The Investment Management segment has been classified as a discontinued operation during the year as a result of the Group's decision to dispose of the Russell Investment Management business in its entirety. The Group also classified Proquote Ltd as a discontinued operation during the year. The results of Proquote are no longer presented in the Information Services segment. Further details are provided in Note 10.

Net treasury income through CCP business of £85.7 million (period ended 31 December 2014: £69.1 million) comprises gross interest income of £261.7 million (period ended 31 December 2014: £154.8 million) less gross interest expense of £176.0 million (period ended 31 December 2014: £85.7 million). The 2014 comparatives have been amended from those previously reported (an increase of £27.8 million to both interest income and interest expense) as a result of amounts of negative interest which were previously offset against interest income. Net treasury income is unchanged. Interest from investment in securities amount to £4.1 million (period ended 31 December 2014: £21.4 million).

Presented within Revenue are net settlement expenses from the CCP business of £3.2 million (period ended 31 December 2014: £2.4 million expense) which comprise gross settlement income of £13.3 million (period ended 31 December 2014: £14.5 million) less gross settlement expense of £16.5 million (period ended 31 December 2014: £16.9 million).

Comparative segmental disclosures for the period ended 31 December 2014 are as follows:

	Re-presented ^{1,2}							
	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH.Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	249.1	71.5	238.7	274.0	47.3	4.1	–	884.7
Inter-segmental revenue	–	0.9	–	–	7.1	–	(8.0)	–
Revenue	249.1	72.4	238.7	274.0	54.4	4.1	(8.0)	884.7
Net treasury income through CCP business	–	23.2	45.9	–	–	–	–	69.1
Other income	–	–	0.1	–	–	3.4	–	3.5
Total income	249.1	95.6	284.7	274.0	54.4	7.5	(8.0)	957.3
Cost of sales	(10.9)	(3.1)	(10.7)	(26.1)	(15.6)	(3.0)	–	(69.4)
Gross profit	238.2	92.5	274.0	247.9	38.8	4.5	(8.0)	887.9
Operating profit before amortisation of purchased intangible assets and non-recurring items	125.2	47.1	81.4	142.7	4.6	4.3	0.2	405.5
Amortisation of purchased intangible assets								(90.3)
Impairment of purchased intangible assets and goodwill								(22.0)
Non-recurring items								(60.0)
Operating profit								233.2
Net finance expense								(51.1)
Profit before taxation from continuing operations								182.1
Other income statement items								
Depreciation and software amortisation	(9.5)	(4.1)	(19.9)	(8.3)	(2.0)	(0.2)	1.4	(42.6)

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

2. Comparative amounts have been re-presented to reflect the presentation of cost of sales and gross profit in the financial statements.

Geographical disclosure

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	Re-presented ¹ £m
Revenue		
UK	749.3	546.1
Italy	264.7	213.9
France	83.7	75.0
USA	156.7	12.7
Other	70.3	37.0
Total	1,324.7	884.7

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

	31 December 2015	31 December 2014 (revised)
	£m	£m
Total assets		
UK	123,166.8	143,498.8
Italy	148,558.9	129,079.4
France	188,662.5	182,027.6
USA	2,581.6	3,111.3
Other	281.4	282.3
Total	463,251.2	457,999.4

5. Expenses by nature

Expenses comprise the following:

		Year ended 31 December 2015	Period ended 31 December 2014 Re-presented ^{1,2}
	Notes	£m	£m
Employee costs	6	405.5	242.3
Depreciation and non-acquisition software amortisation		58.9	42.6
Impairment and amortisation of purchased intangible assets and non-recurring items	7	180.3	172.3
IT costs		107.4	88.2
Other costs		136.6	109.3
Total operating expenses		888.7	654.7

- Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.
- Comparative amounts have been re-presented to reflect the presentation of cost of sales and gross profit in the financial statements.

Foreign exchange gains or losses included in the income statement are immaterial.

6. Employee costs

Employee costs comprise the following:

		Year ended 31 December 2015	Period ended 31 December 2014 Re-presented ¹
	Note	£m	£m
Salaries and other short term benefits		322.4	191.6
Social security costs		42.5	33.2
Pension costs	18	18.1	12.1
Share-based compensation		22.5	5.4
Total		405.5	242.3

- Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

The average number of employees in the Group from total operations, was:

	Year ended 31 December 2015	Period ended 31 December 2014
UK	1,731	1,504
Italy	565	537
France	242	174
Sri Lanka	926	688
USA	1,296	1,312
Other	791	477
Total	5,551	4,692

Average is calculated from date of acquisition of a subsidiary company by the Group.

The Company has no employees in the year (period ended 31 December 2014: nil).

Notes to the financial statements continued

7. Amortisation of purchased intangible assets and non-recurring items

	Notes	Year ended 31 December 2015 £m	Period ended 31 December 2014 Re-presented ¹ £m
Amortisation of purchased intangible assets	14	149.6	90.3
Transaction costs		1.0	54.6
Transaction credit		(1.1)	(2.4)
Restructuring costs		9.9	–
Restructuring credit		–	(3.8)
Integration costs		21.4	11.6
Impairment of purchased intangible assets and goodwill	14	–	22.0
Profit on disposal of assets held for sale		(0.5)	–
Total affecting profit		180.3	172.3
Charge for new transaction related revolving credit facility		–	1.8
Total affecting profit before tax		180.3	174.1
Tax effect on items affecting profit before tax			
Deferred tax on amortisation and impairment of purchased intangible assets		(56.2)	(32.3)
Current tax on amortisation and impairment of purchased intangible assets		(1.8)	(1.4)
Tax effect on other items affecting profit before tax		(18.0)	(6.3)
Total tax effect on items affecting profit before tax		(76.0)	(40.0)
Total charge to income statement		104.3	134.1

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

Transaction costs comprise charges incurred for ongoing services related to potential or completed acquisitions.

The transaction credit in the current year relates to the release of a contingent consideration liability in respect of a past acquisition of a Group subsidiary. The contractual terms under which the consideration was payable expired and the financial liability derecognised.

The transaction credit in the prior period relates to a reduction in obligations arising from the acquisition of LCH.Clearnet Group.

Restructuring and integration costs principally relate to the acquisition, restructuring and integration of LCH.Clearnet and Frank Russell Company.

The restructuring credit in the prior period relates to contributions made by third parties to cover restructuring costs incurred in previous periods.

The £0.5 million profit on disposal of assets held for sale in the current year relates to the sale of a freehold property and related equipment held by a subsidiary. These assets were classified as held for sale at 31 December 2014. The carrying value of the assets at the date of disposal was £5.3 million.

Of the impairment recognised during the prior period, £21.8 million relates to licenses belonging to a cash generating unit within LCH.Clearnet's business in the USA, that was recognised on the acquisition of the LCH.Clearnet Group. Following a review, it was determined that the cash flows required to maintain the current valuation are too uncertain. Consequently, it was considered appropriate to impair the asset. The Group remains committed to developing the business to provide clearing services in the USA and continues to investigate all opportunities as they arise.

The remaining £0.2 million in the prior period relates to the goodwill on EDX London Limited. Following the transfer of the UK derivatives business to its parent company, the remaining goodwill allocated to the business was impaired.

8. Net finance expense

	Notes	Year ended 31 December 2015 £m	Period ended 31 December 2014 Re-presented ¹ £m
Finance income			
Expected return on defined benefit pension scheme assets	18	0.6	–
Bank deposit and other interest income		0.9	1.7
Other finance income		1.4	0.5
		2.9	2.2
Finance expense			
Interest payable on bank and other borrowings		(66.0)	(49.1)
Defined benefit pension scheme interest cost	18	(1.2)	(0.5)
Other finance expenses		(4.0)	(1.9)
Non-recurring credit facility arrangement fees		–	(1.8)
		(71.2)	(53.3)
Net finance expense		(68.3)	(51.1)

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

Net finance expense includes amounts where the Group earns negative interest on its cash deposits.

9. Taxation

The standard UK corporation tax rate was 20.25% (21% for the period ended 31 December 2014).

	Note	Year ended 31 December 2015 £m	Period ended 31 December 2014 Re-presented ¹ £m
Taxation charged to the income statement			
Current tax:			
UK corporation tax for the year/period		49.8	42.9
Overseas tax for the year/period		51.6	48.4
Adjustments in respect of previous years		(4.2)	(9.6)
		97.2	81.7
Deferred tax:			
Deferred tax for the year/period	17	(0.2)	3.0
Adjustments in respect of previous years		2.0	(0.4)
Deferred tax liability on amortisation and impairment of purchased intangible assets		(50.9)	(33.2)
Taxation charge		48.1	51.1

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns submitted to relevant tax authorities.

	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Taxation on items not credited/(charged) to income statement		
Current tax credit/(charge):		
Tax allowance on share options/awards in excess of expense recognised	5.8	2.8
Gain on cash flow hedges	–	(17.2)
Deferred tax (loss)/credit:		
Defined benefit pension scheme remeasurement	(2.8)	0.7
Tax allowance on share options/awards in excess of expense recognised	(0.1)	1.5
Movement in value of available for sale financial assets	–	0.9
	2.9	(11.3)

Notes to the financial statements continued

Factors affecting the tax charge for the year/period

The income statement tax charge for the year/period differs from the standard rate of corporation tax in the UK of 20.25% (period ended 31 December 2014: 21%) as explained below:

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	Re-presented ¹ £m
Profit before taxation from continuing operations	336.1	182.1
Profit before taxation from discontinued operations	97.6	8.9
	433.7	191.0
Profit multiplied by standard rate of corporation tax in the UK	87.8	40.1
Expenses not deductible/(income) not taxable	3.5	9.4
Adjustment arising from change in tax rate	(4.6)	0.8
Overseas earnings taxed at higher rate	16.6	25.2
Adjustments in respect of previous years	(2.2)	(10.0)
Amortisation and impairment of purchased intangible assets	(0.2)	(9.2)
Adjustment arising from changes in tax rates on amortisation of intangible assets	(17.0)	–
Deferred tax previously not recognised	(7.3)	(2.7)
Income tax from continuing operations	48.1	51.1
Income tax attributable to discontinued operations	28.5	2.5

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

The UK Finance Bill 2015 was enacted in November 2015 reducing the standard rate of corporation tax from 20% to 19% effective from 1 April 2017 and 18% effective from 1 April 2020. Accordingly the UK deferred tax balances at December 2015 have been stated at 20%, 19% or 18% dependent on when the timing differences are expected to reverse. The deferred tax balances in other countries are recognised at the substantially enacted rates at the balance sheet date.

10. Discontinued operations and assets and liabilities held for sale

During the year, the Group announced the completion of the comprehensive review focused principally on assessing the strategic fit of the Russell Investment Management business with the Group's long term strategy. After careful consideration, the conclusion of the comprehensive review was to explore a sale of this business in its entirety.

On 8 October 2015 the Group announced it had agreed the sale of the Russell Investment Management business to TA Associates for gross proceeds of US\$1,150 million (£752 million) cash. The disposal of the Russell Investment Management business is expected to complete in the first half of 2016, subject to finalising agreements with the purchaser and any regulatory reviews.

At 31 December 2015, the Russell Investment Management business is classified as a disposal group held for sale and as a discontinued operation. The business of Russell Investment Management represented the entire Investment Management segment in the Group's annual consolidated financial statements for the 9 month period ended 31 December 2014. With the Russell Investment Management business being classified as a disposal group held for sale and discontinued operations, the Investment Management segment is no longer presented within the income statement analysis in the Segmental Information note (Note 4).

During the year, the Group classified Proquote Ltd as a discontinued operation and completed its disposal for cash consideration of £22.0 million. The carrying value of net assets on disposal amounted to £1.9 million and after transaction costs of £0.2 million, a non-recurring profit on disposal of £19.9 million was recognised in the income statement from discontinued operations.

The results of discontinued operations are presented below:

	Notes	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Revenue		960.7	86.7
Other income		2.2	–
Total income		962.9	86.7
Cost of sales		(494.9)	(32.1)
Share of profit after tax of associate		0.5	0.1
Expenses			
Expenses before amortisation of purchase intangible assets and non-recurring items		(343.6)	(42.6)
Amortisation of purchased intangible assets	14	(7.1)	(2.3)
Non-recurring items		(22.3)	(0.9)
Operating profit		95.5	8.9
Net finance income		2.1	–
Profit before tax from discontinued operations		97.6	8.9
Taxation	9	(28.5)	(2.5)
Profit after tax from discontinued operations		69.1	6.4
Attributable to:			
Equity holders		68.7	6.4
Non-controlling interests		0.4	–
		69.1	6.4

Discontinued revenue for the year ended December 2015, relate to Russell Investment Management of £953.1 million (period ended December 2014: £79.7 million) and Proquote of £7.6 million (period ended December 2014: £7.0 million).

During the year, the Group recognised £28.4 million of costs in relation to the planned disposal of the Russell Investment Management business.

The assets and liabilities of Russell Investment Management business as at 31 December 2015, that have been classified as held for sale in the balance sheet, are as follows:

Assets	31 December 2015 £m
Property, plant and equipment	32.0
Intangible assets	691.3
Investments in associates	5.3
Trade and other receivables	204.5
Cash and cash equivalents	252.5
Deferred tax assets	42.3
Other assets	45.7
Assets held for sale	1,273.6
Liabilities	
Trade and other payables	289.8
Current tax	5.2
Deferred tax liabilities	201.4
Provision	1.1
Other liabilities	41.5
Liabilities directly associated with assets held for sale	539.0
Net assets directly associated with disposal group	734.6
Amounts included in accumulated Other Comprehensive Income:	
Foreign exchange translation reserves	17.1
Reserve of disposal group classified as held for sale	17.1

The carrying amounts of assets and liabilities are held at the lower of cost or net realisable value less costs to sell.

Notes to the financial statements continued

The net cash flows incurred by discontinued operations during the year/period are as follows:

	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Cash inflow/(outflow) from operating activities	51.5	(7.7)
Cash inflow/(outflow) from investing activities	2.9	(1.8)
Cash (outflow)/inflow from financing activities	(5.8)	0.5
Net cash inflow/(outflow)	48.6	(9.0)

11. Earnings per share

Earnings per share is presented on 4 bases: basic earnings per share; diluted earnings per share; adjusted basic earnings per share; and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation of purchased intangible assets, non-recurring items and unrealised gains and losses to enable a better comparison of the underlying earnings of the business with prior periods.

	Year ended 31 December 2015			Period ended 31 December 2014		
	Continuing	Discontinued	Total	Re-presented ¹		
	£m	£m	£m	Continuing	Discontinued	Total
Basic earnings per share	74.8p	19.8p	94.6p	35.9p	2.0p	37.9p
Diluted earnings per share	73.7p	19.5p	93.2p	35.5p	1.9p	37.4p
Adjusted basic earnings per share	103.4p	26.0p	129.4p	72.9p	2.7p	75.6p
Adjusted diluted earnings per share	101.9p	25.7p	127.6p	72.0p	2.7p	74.7p

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

Profit and adjusted profit for the financial year/period attributable to equity holders of the parent:

	Year ended 31 December 2015			Period ended 31 December 2014		
	Continuing	Discontinued	Total	Re-presented ¹		
	£m	£m	£m	Continuing	Discontinued	Total
Profit for the financial year/period attributable to the Company's equity holders	259.6	68.7	328.3	116.6	6.4	123.0
Adjustments:						
Amortisation of purchased intangibles and non recurring items:						
Amortisation of purchased intangible assets	149.6	7.1	156.7	90.3	2.3	92.6
Transaction costs	1.0	–	1.0	54.6	–	54.6
Transaction credit	(1.1)	–	(1.1)	(2.4)	–	(2.4)
Restructuring costs	9.9	42.2	52.1	–	0.9	0.9
Restructuring credit	–	–	–	(3.8)	–	(3.8)
Integration costs	21.4	–	21.4	11.6	–	11.6
Impairment of purchased intangible assets and goodwill	–	–	–	22.0	–	22.0
Charge for new revolving credit facility	–	–	–	1.8	–	1.8
Profit on disposal of assets and liabilities held for sale	(0.5)	(19.9)	(20.4)	–	–	–
Other adjusting items:						
Unrealised net investment loss (included in other income)	–	–	–	(0.1)	–	(0.1)
Tax effect of amortisation and impairment of purchased intangible assets and non-recurring items	(76.0)	(7.7)	(83.7)	(40.0)	(0.8)	(40.8)
Amortisation of purchased intangible assets, non-recurring and adjusting items, and taxation attributable to non-controlling interests	(5.2)	–	(5.2)	(13.8)	–	(13.8)
Adjusted profit for the financial year/period attributable to the Company's equity holders	358.7	90.4	449.1	236.8	8.8	245.6
Weighted average number of shares – million			347.0			324.7
Effect of dilutive share options and awards – million			5.1			4.2
Diluted weighted average number of shares – million			352.1			328.9

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

The weighted average number of shares excludes those held in the Employee Benefit Trust.

12. Dividends

	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Final dividend for 31 December 2014 paid 2 June 2015: 12.8p per Ordinary share (31 March 2014: 20.7p)	44.4	56.2
Interim dividend for 31 December 2014 paid 5 January 2015: 9.7p per Ordinary share	33.6	–
Interim dividend for 31 December 2015 paid 22 September 2015: 10.8p per Ordinary share	37.5	–
	115.5	56.2

The Board has proposed a final dividend in respect of the year ended 31 December 2015 of 25.2p per share, which is estimated to amount to £87.7 million, to be paid in June 2016. This is not reflected in these financial statements.

13. Property, plant and equipment

	Land and Buildings		Fixed plant, other plant and equipment £m	Total £m
	Freehold £m	Leasehold £m		
Cost:				
1 April 2014	55.6	47.2	125.4	228.2
Additions	0.5	0.1	17.6	18.2
Foreign exchange	0.1	(0.3)	(1.3)	(1.5)
Impairment	–	(0.1)	–	(0.1)
Acquisition of subsidiaries	–	14.5	15.1	29.6
Reclassification to assets held for sale and other non-current assets	(6.2)	–	(2.9)	(9.1)
Disposals	(0.1)	(1.4)	(2.1)	(3.6)
31 December 2014	49.9	60.0	151.8	261.7
Additions	1.0	1.5	28.7	31.2
Foreign exchange	(0.2)	0.2	(2.4)	(2.4)
Acquisition of subsidiaries	–	–	0.1	0.1
Reclassification to assets held for sale	(0.3)	(15.4)	(17.8)	(33.5)
Disposals	(0.2)	(2.7)	(12.0)	(14.9)
Disposal of business	–	–	(1.7)	(1.7)
31 December 2015	50.2	43.6	146.7	240.5
Accumulated depreciation:				
1 April 2014	28.4	34.0	72.5	134.9
Charge for the period	0.4	1.9	14.6	16.9
Foreign exchange	(0.1)	(0.2)	(0.9)	(1.2)
Reclassification to assets held for sale	(0.9)	–	–	(0.9)
Disposals	(0.1)	(1.4)	(2.1)	(3.6)
31 December 2014	27.7	34.3	84.1	146.1
Charge for the year	0.2	3.1	17.5	20.8
Foreign exchange	–	(0.2)	(2.7)	(2.9)
Reclassification to assets held for sale	–	(0.9)	(0.6)	(1.5)
Disposals	–	(2.7)	(11.7)	(14.4)
Disposal of business	–	–	(1.5)	(1.5)
31 December 2015	27.9	33.6	85.1	146.6
Net book values:				
31 December 2015	22.3	10.0	61.6	93.9
31 December 2014	22.2	25.7	67.7	115.6

The carrying value of equipment held under finance leases at 31 December 2015 was £7.3 million (31 December 2014: £11.3 million).

Notes to the financial statements continued

14. Intangible Assets

	Purchased intangible assets					Total £m
	Goodwill	Customer and supplier relationships	Brands	Software, licenses and intellectual property	Software	
	£m	£m	£m	£m	£m	
Cost:						
1 April 2014	1,589.0	1,167.7	253.6	420.6	265.7	3,696.6
Additions	–	–	–	–	48.5	48.5
Acquisition of subsidiaries (revised)	473.0	804.1	677.6	30.7	5.6	1,991.0
Disposals	–	(0.8)	(0.1)	–	(29.2)	(30.1)
Foreign exchange	(63.5)	(38.1)	1.2	(10.0)	(17.4)	(127.8)
31 December 2014 (revised)	1,998.5	1,932.9	932.3	441.3	273.2	5,578.2
Additions	3.9	–	–	–	96.5	100.4
Disposal	–	–	–	(0.8)	(4.8)	(5.6)
Disposal of business	–	–	–	–	(3.8)	(3.8)
Reclassification to assets held for sale	(142.4)	(413.9)	(118.7)	(23.4)	(0.3)	(698.7)
Foreign exchange	(37.3)	(2.5)	38.6	4.6	(19.1)	(15.7)
31 December 2015	1,822.7	1,516.5	852.2	421.7	341.7	4,954.8
Accumulated amortisation and impairment:						
1 April 2014	486.3	244.8	28.0	149.3	118.5	1,026.9
Impairment	0.2	–	–	21.8	–	22.0
Amortisation charge for the period	–	48.2	10.3	34.1	26.8	119.4
Disposals	–	(0.8)	(0.1)	–	(28.9)	(29.8)
Foreign exchange	(19.6)	(8.9)	(0.4)	(5.2)	(10.9)	(45.0)
31 December 2014	466.9	283.3	37.8	200.0	105.5	1,093.5
Impairment	–	–	–	–	1.0	1.0
Amortisation charge for the year	–	81.9	33.8	41.0	39.9	196.6
Disposals	–	–	–	(0.7)	(4.7)	(5.4)
Disposal of business	–	–	–	–	(1.9)	(1.9)
Reclassification to assets held for sale	–	(4.7)	(1.2)	(1.4)	(0.1)	(7.4)
Foreign exchange	(18.3)	(11.9)	1.0	(0.3)	3.7	(25.8)
31 December 2015	448.6	348.6	71.4	238.6	143.4	1,250.6
Net book values:						
31 December 2015	1,374.1	1,167.9	780.8	183.1	198.3	3,704.2
31 December 2014 (revised)	1,531.6	1,649.6	894.5	241.3	167.7	4,484.7

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The remaining amortisation periods of the Group's purchased intangible assets range between: 1 and 17 years for the Italian Group; 2 and 22 years for the LCH.Clearnet Group and the FTSE Group; and 2 and 24 years for the Frank Russell Group.

The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH.Clearnet Group, FTSE Group, MillenniumIT, the Frank Russell Group, Turquoise and Exactpro. The Company has no intangible assets.

During the year, additions relating to internally generated software amounted to £96.5 million (31 December 2014: £48.5 million).

The carrying value of licenses held under finance leases at 31 December 2015 was £0.8 million (31 December 2014: £1.4 million).

In the prior period, the acquisition of the Frank Russell Group and Bonds.com Group resulted in the recognition of £484.7 million in goodwill. The exercise of attributing fair value adjustments to the assets and liabilities acquired with both the Frank Russell Group and Bonds.com businesses was completed during the year ended 31 December 2015. As a result, goodwill arising on acquisition of the Frank Russell Group and Bonds.com Group decreased by £9.1 million and £2.6 million, respectively, and purchased intangible assets in relation to the Bonds.com acquisition increased by £4.4 million. Further details are provided in Note 30.

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to 11 cash generating units (CGUs), including the Russell Investment Management CGU.

The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by management covering the 5 year period ending 31 December 2020. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below.

	Net book value of goodwill				31 December 2015	Pre-tax discount rate used in value in use calculations
	31 December 2014 (revised)	Acquisitions of subsidiaries	Reclassified to assets held for sale	Foreign exchange		
	£m	£m	£m	£m	£m	
Italian Group:						
Capital Markets	226.8	–	–	(12.2)	214.6	11.0%
Information Services	157.0	–	–	(8.5)	148.5	11.3%
Technology Services	29.5	–	–	(1.6)	27.9	11.2%
Post Trade Services	342.2	–	–	(18.4)	323.8	11.2%
MillenniumIT	1.4	–	–	–	1.4	19.1%
Turquoise	7.6	–	–	–	7.6	10.3%
FTSE Group	187.6	–	–	–	187.6	7.5%
LCH.Clearent Group	110.6	–	–	(6.0)	104.6	9.2%
Frank Russell Group						
Information Services	334.9	1.0	–	19.3	355.2	8.7%
Investment Management	134.0	–	(142.4)	8.4	–	N/A
Exactpro	–	2.9	–	–	2.9	N/A
	1,531.6	3.9	(142.4)	(19.0)	1,374.1	

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short and medium term revenue and cost growth assumptions are based on the 2016 budget and the Group's approved business plan. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short and medium growth assumptions.

Long term growth rates (assumed to be 1.8% for each of the Italian CGUs, 12.7% for MillenniumIT and 3.0% for the remaining Group) represent management's internal forecasts based on external estimates of GDP and inflation for the 16 year period 1 January 2005 to 31 December 2020, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, France, Sri Lanka, USA and the UK as appropriate, the Group's estimated market risk premium and a premium to reflect the inherent risks of each of the CGUs.

Based on the results of the impairment tests performed, management believes there is no impairment of the carrying value of the goodwill in any CGU.

Notes to the financial statements continued

Value in use calculations for each CGU are sensitive to changes in short and medium term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates. The impact on value in use of reasonable changes in these assumptions is shown below:

	Excess of value in use over carrying value	Impact on value in use of:			
		5% reduction in revenues	5% increase in costs	0.5% reduction in long-term growth rate	0.5% increase in pre-tax discount rate
	£m	£m	£m	£m	£m
Cash generating unit					
Italian group:					
Capital Markets	467.0	86.1	43.0	45.2	58.8
Information Services	53.0	20.1	8.4	12.4	16.2
Technology Services	60.2	12.7	7.7	4.9	6.3
Post Trade Services	328.8	65.6	29.1	36.4	47.4

Management believes goodwill allocated to the Frank Russell Group, LCH.Clearnet Group, FTSE Group, MillenniumIT, Turquoise and Exactpro CGUs is unlikely to be materially impaired under reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2015. Revenue and cost sensitivities assume a 5% change in revenues or costs for each of the 5 years in the value in use calculations.

15. Investment in associates

The following table illustrates the summarised financial information of the Group's investment in associates.

	Note	£m
1 April 2014		0.3
Acquisition of associates		11.9
Share of profit		0.1
Share of capital decrease and dividend distribution		(0.2)
31 December 2014		12.1
Share of profit		0.5
Liquidation of associate		(5.8)
Reclassification to assets held for sale	10	(5.3)
Foreign exchange		(1.2)
31 December 2015		0.3

During the year, Ping AN Russell Investment Management (Shanghai) Co Limited, the Group's principal associate was liquidated and the invested capital returned to the Group.

16. Investment in subsidiary undertakings

Company	Shares	Other	Total
	£m	£m	£m
1 April 2014	3,310.0	548.9	3,858.9
Capital contribution to LSEGH US Holdco Inc.	–	441.1	441.1
Capital contribution to LSEGH (Luxembourg) Ltd	581.8	–	581.8
Other movements during the period	–	7.3	7.3
31 December 2014	3,891.8	997.3	4,889.1
Movements during the year	–	7.7	7.7
31 December 2015	3,891.8	1,005.0	4,896.8

Principal subsidiaries:	Principal activity	Country of incorporation	Country of principal operations	% equity and votes held
Held directly by the Company:				
London Stock Exchange plc	Recognised investment exchange	UK	UK	100
Held indirectly by the Company:				
Bit Market Services S.p.A.	Retail information services and market technology	Italy	Italy	99.99
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.99
Cassa di Compensazione e Garanzia S.p.A.	CCP clearing services	Italy	Italy	99.99
Exactpro LLC	Quality assurance provider	Russian Federation	Russian Federation	100
FTSE International Ltd	Market indices provider	UK	UK	100
LCH.Clearnet Group Limited	CCP clearing services	UK	UK	57.80
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.86
Millennium Information Technologies Software Ltd	IT solutions provider	Sri Lanka	Sri Lanka	100
MTS S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.36
Turquoise Global Holdings Ltd	Multi-lateral trading facility	UK	UK	51.36
Frank Russell Company	Global asset manager and index business	USA	USA	100

During the year, the Group acquired Exactpro Systems Limited and XTF Inc. for a consideration of £4.3 million and £1.0 million, respectively. Further details are provided in Note 30.

In the prior period, the Group entered into a transaction that resulted in the Group acquiring a 100% stake in Frank Russell Company for a total consideration of £1,678.5 million. In the prior period, the Group also completed the acquisition of Bonds.com, resulting in a majority stake of 60.36% in the company for a consideration of £8.8 million. Further details are provided in Note 30.

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries is provided in Note 35.

LCH.Clearnet Group Limited is the only subsidiary that has material non-controlling interests within the Group. Financial information relating to this subsidiary is provided below:

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	£m
Accumulated balances of material non-controlling interests	339.0	329.3
Profits/(losses) allocated to material non-controlling interests	9.7	(13.2)

Accumulated balances included goodwill, purchased intangible assets and associated amortisation and impairments attributable to non-controlling interests.

The summarised financial information of LCH.Clearnet Group is provided below. This information is based on amounts before inter-company eliminations.

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	£m
Summarised statement of profit or loss		
Total income	360.6	238.5
Profit for the year/period	57.0	27.6
Total comprehensive income	69.3	30.7
Attributable to non-controlling interests	29.2	13.0

Notes to the financial statements continued

	31 December 2015	31 December 2014
	£m	£m
Summarised statement of financial position		
Non-current assets	239.4	219.1
Current assets	312,360.9	325,870.2
Current liabilities	(311,764.8)	(325,270.7)
Non-current liabilities	(152.6)	(166.9)
Total equity	682.9	651.7
Attributable to:		
Equity holders of the company	394.7	376.7
Non-controlling interests	288.2	275.0

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	£m
Net increase in cash and cash equivalents	14.3	47.7

LCH.Clearnet Group was acquired on 1 May 2013. Their results have been incorporated from that date.

17. Deferred tax

The movements in deferred tax assets and liabilities during the year/period are shown below.

	Accelerated tax depreciation	Acquisition deferred tax and amortisation (revised)	Provisions and other temporary differences	Total
	£m	£m	£m	£m
Group				
1 April 2014	8.4	(316.2)	26.4	(281.4)
Transfer between categories	2.8	5.5	(8.3)	–
Tax credited to the income statement	(0.7)	33.2	(1.9)	30.6
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme remeasurement loss	–	–	0.7	0.7
– allowance on share options/awards	–	–	1.5	1.5
– movement in value of available for sale financial assets	–	–	0.9	0.9
– foreign exchange	(0.4)	10.5	–	10.1
Balance sheet transfer of pre-acquisition balances	(4.5)	–	37.9	33.4
Deferred tax recognised on acquisition (revised)	–	(580.6)	–	(580.6)
31 December 2014 (revised)	5.6	(847.6)	57.2	(784.8)
Transfer between categories	–	(3.1)	3.1	–
Tax credited/(charged) to the income statement	1.2	56.2	(0.6)	56.8
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme remeasurement loss	–	–	(2.8)	(2.8)
– foreign exchange	–	(19.2)	–	(19.2)
Allowance on share options/awards – to equity	–	–	(0.1)	(0.1)
Reclassification to assets held for sale	1.6	199.8	(42.3)	159.1
31 December 2015	8.4	(613.9)	14.5	(591.0)
Assets at 31 December 2015	8.4	–	26.2	34.6
Liabilities at 31 December 2015	–	(613.9)	(11.7)	(625.6)
Net assets/(liabilities) at 31 December 2015	8.4	(613.9)	14.5	(591.0)
Assets at 31 December 2014	10.5	–	66.0	76.5
Liabilities at 31 December 2014 (revised)	(4.9)	(847.6)	(8.8)	(861.3)
Net assets/(liabilities) at 31 December 2014 (revised)	5.6	(847.6)	57.2	(784.8)

The deferred tax assets are recoverable against future taxable profits and are due after more than 1 year.

The deferred tax asset of £14.5 million (31 December 2014: £57.2 million) in respect of provisions and other temporary differences mainly relates to share based payments £7.5 million (31 December 2014: £5.4 million), retirement benefits liability of £3.1 million (31 December 2014: £5.6 million), trading losses £6.1 million (31 December 2014: £4.3 million) and other provisions and temporary differences £4.0 million (31 December 2014: £13.4 million).

The purchased intangible assets of the acquired subsidiaries create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £20.5 million (31 December 2014: £20.4 million) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company.

18. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Group in funds administered by trustees. The funds are primarily managed by Schroder Investment Management Limited, Legal & General Investment Management Limited, PIMCO Europe Limited and a 'buy in' insurance asset with Pension Insurance Corporation.

The assets of the UK schemes are held by the trustees of the respective schemes who are responsible for the schemes' governance. The schemes are invested in a wide range of assets in the UK and overseas, which seek to balance risk and investment return, through investment managers appointed by the schemes' trustees. The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The 'Other plans' relate to the severance and leaving indemnity scheme *Trattamento di Fine Rapporto* (TFR) operated by the Italian group in accordance with Italian law, the employee benefit and retirement plan operated by MillenniumIT and the pension commitments of LCH.Clearget group.

All schemes are governed by the local regulatory framework and employment laws in the country in which they operate.

The Company has no retirement benefit obligations.

The only schemes operated by FTSE International and Frank Russell Company are defined contribution schemes.

Defined benefit schemes

The LSEG UK defined benefit scheme was a non-contributory scheme and closed to new members in 1999. With effect from 31 March 2012, the scheme also closed to accrual of future benefits for active members and it has been agreed that the benefits for affected members will remain linked to their salary with the Group.

The defined benefit scheme operated by LCH.Clearget was closed to new members from 30 September 2009. The scheme was closed to further employee contributions from 31 March 2013.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

The TFR operated by the Italian group is classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91% of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75% of 'national life price index +1.5%' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as a defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than 5 years, he or she is entitled to a payment equivalent to half a month's gross salary multiplied by the number of years in service at MillenniumIT.

Defined contribution schemes

The Group's defined contribution schemes are now the only schemes open to new employees in the Group. For the UK pension plan, a core contribution of 4 to 8% of pensionable pay is provided and the Group will match employee contributions up to a maximum of 6 to 10% of pensionable pay. LCH pays fixed contributions to the defined contribution scheme and there is no legal or constructive obligation to pay further contributions.

Notes to the financial statements continued

Amounts recognised in the income statement from continuing operations are as follows:

	Notes	Year ended 31 December 2015				Period ended 31 December 2014 ¹			
		LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
		£m	£m	£m	£m	£m	£m	Re-presented ¹ £m	£m
Defined contribution schemes		(2.7)	(5.4)	(6.4)	(14.5)	(2.5)	(5.2)	(3.7)	(11.4)
Defined benefit scheme – current service cost and expenses		(1.0)	(1.1)	(1.5)	(3.6)	(0.5)	(0.1)	(0.1)	(0.7)
Total pension charge included in employee costs	6	(3.7)	(6.5)	(7.9)	(18.1)	(3.0)	(5.3)	(3.8)	(12.1)
Net finance (expense)/income	8	(1.0)	0.6	(0.2)	(0.6)	(0.8)	0.6	(0.3)	(0.5)
Total recognised in the income statement		(4.7)	(5.9)	(8.1)	(18.7)	(3.8)	(4.7)	(4.1)	(12.6)

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

Defined benefit assets/(obligations) for pension schemes

	31 December 2015				31 December 2014			
	LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fair value of assets:								
Equities (quoted)	6.7	93.6	–	100.3	9.1	94.6	0.1	103.8
Bonds (quoted)	116.9	102.5	0.4	219.8	126.7	105.3	0.2	232.2
Property	2.1	–	–	2.1	0.8	–	0.1	0.9
Cash	2.3	2.9	–	5.2	6.2	7.3	0.1	13.6
Pensioner buy in policy	167.0	–	–	167.0	162.0	–	–	162.0
Foreign exchange	–	–	–	–	–	(5.4)	(0.1)	(5.5)
Total fair value of assets	295.0	199.0	0.4	494.4	304.8	201.8	0.4	507.0
Present value of funded obligations	(323.5)	(173.8)	(12.5)	(509.8)	(331.9)	(185.8)	(13.1)	(530.8)
(Deficit)/surplus	(28.5)	25.2	(12.1)	(15.4)	(27.1)	16.0	(12.7)	(23.8)

UK pension plan actuarial assumptions are set out below:

	Year ended 31 December 2015		Period ended 31 December 2014	
	LSEG UK	LCH UK	LSEG UK	LCH UK
Inflation rate – RPI	3.1%	3.1%	3.1%	3.1%
Inflation rate – CPI	2.1%	2.1%	2.1%	2.1%
Rate of increase in salaries	3.1%	n/a	3.1%	n/a
Rate of increase in pensions in payment	3.4%	2.1%	3.4%	2.2%
Discount rate	3.9%	4.0%	3.7%	3.7%
Life expectancy from age 60 (years)				
– Non-retired male member	28.7	30.5	28.6	30.4
– Non-retired female member	30.6	32.9	30.5	32.8
– Retired male member	27.2	28.3	27.1	28.1
– Retired female member	29.3	30.5	29.2	30.4

The mortality assumptions are based on the standard tables S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for CMI 2013 projections and applied a 1.25%/1.00% for male/female long term trend rate in respect of future mortality improvements.

Sensitivities

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

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate (CPI)	Increase by 0.5%	Increase by £4.2m
Rate of increase in pensions payment	Increase by 0.5%	Increase by £21.5m
Discount rate	Increase by 0.5%	Reduce by £24.1m
Mortality rate	Increase by 1 year	Increase by £10.1m

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Changes in the present value of the defined benefit obligations during the year/period

	Year ended 31 December 2015				Period ended 31 December 2014			
	LSEG UK £m	LCH UK £m	Other plans £m	Total £m	LSEG UK £m	LCH UK £m	Other plans £m	Total £m
Benefit obligation as at beginning of year/period	331.9	185.8	13.1	530.8	300.6	153.0	13.4	467.0
Pension expense/(income):								
Current service cost	–	–	1.8	1.8	–	(0.2)	0.1	(0.1)
Interest cost	12.1	6.8	0.2	19.1	10.0	5.1	0.3	15.4
Subtotal included in the income statement	12.1	6.8	2.0	20.9	10.0	4.9	0.4	15.3
Re-measurement (gains)/losses:								
Actuarial (gains)/losses – financial assumptions	(10.6)	(15.6)	(1.1)	(27.3)	30.6	31.7	1.1	63.4
Actuarial gains – demographic assumptions	–	–	–	–	–	(3.2)	–	(3.2)
Actuarial losses/(gains) – experience	0.7	–	(0.1)	0.6	(2.1)	–	(0.2)	(2.3)
Other actuarial movements through the income statement	–	–	(0.1)	(0.1)	–	–	0.1	0.1
Subtotal included in other comprehensive income	(9.9)	(15.6)	(1.3)	(26.8)	28.5	28.5	1.0	58.0
Benefits paid	(10.6)	(2.8)	(0.6)	(14.0)	(7.2)	(1.8)	(1.1)	(10.1)
Foreign exchange	–	(0.4)	(0.7)	(1.1)	–	1.2	(0.6)	0.6
Benefit obligation as at end of year/period	323.5	173.8	12.5	509.8	331.9	185.8	13.1	530.8

Movement in fair value of scheme assets during the year/period

	Year ended 31 December 2015				Period ended 31 December 2014			
	LSEG UK £m	LCH UK £m	Other plans £m	Total £m	LSEG UK £m	LCH UK £m	Other plans £m	Total £m
Fair value of scheme assets as at beginning of year/period	304.8	201.8	0.4	507.0	276.7	167.5	0.4	444.6
Pension income:								
Interest income	11.1	7.4	–	18.5	9.2	5.7	–	14.9
Subtotal included in the income statement	11.1	7.4	–	18.5	9.2	5.7	–	14.9
Re-measurement gains:								
Return on plan assets, excluding interest income	(11.9)	(7.1)	–	(19.0)	23.1	29.3	–	52.4
Subtotal included in other comprehensive income	(11.9)	(7.1)	–	(19.0)	23.1	29.3	–	52.4
Contributions by employer	2.6	0.1	–	2.7	3.5	0.5	0.2	4.2
Expenses	(1.0)	–	–	(1.0)	(0.5)	(0.2)	–	(0.7)
Benefits paid	(10.6)	(2.8)	–	(13.4)	(7.2)	(1.8)	(0.2)	(9.2)
Foreign exchange	–	(0.4)	–	(0.4)	–	0.8	–	0.8
Fair value of scheme assets as at end of year/period	295.0	199.0	0.4	494.4	304.8	201.8	0.4	507.0

The actual loss on plan assets was £0.5 million (period ended 31 December 2014: gain £67.2 million).

Notes to the financial statements continued

Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income:

	Year ended 31 December 2015			Period ended 31 December 2014		
	LSEG UK	LCH UK	Other plans	LSEG UK	LCH UK	Other plans
	£m	£m	£m	£m	£m	£m
Recognised up to beginning year/period	(33.3)	7.2	(1.5)	(27.9)	6.6	(0.7)
Net actuarial (loss)/gain recognised in the year/period	(2.0)	8.5	1.3	(5.4)	0.6	(0.8)
Cumulative amount recognised at end of year/period	(35.3)	15.7	(0.2)	(33.3)	7.2	(1.5)

The last actuarial valuation of the defined benefit scheme was carried out as at 31 March 2012 by an independent qualified actuary. The Group is currently in discussion on the preliminary results of the valuation as at 31 March 2015 and the related schedule of contributions. The actuarial valuation as at 31 March 2015 may result in an adjustment to future contribution levels.

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

19. Trade and other receivables

	Note	Group		Company	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		£m	£m (revised)	£m	£m
Trade receivables		178.6	152.8	–	–
Less: provision for impairment of receivables		(6.7)	(5.0)	–	–
Trade receivables – net		171.9	147.8	–	–
Amounts due from Group undertakings	33	–	–	547.9	653.8
Amounts due from associates		0.2	–	–	–
Other receivables		46.2	178.9	0.9	–
Prepayments and accrued income		113.0	253.5	1.4	0.6
		331.3	580.2	550.2	654.4

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values.

Trade receivables that are not past due are not considered to be impaired.

The ageing of past due debtors for the Group is as follows:

	31 December 2015		31 December 2014	
	Impaired	Not impaired	Impaired	Not impaired
	£m	£m	£m	£m
0 to 3 months past due	0.6	12.3	–	50.5
Greater than 3 months past due	6.1	16.0	5.0	35.1
	6.7	28.3	5.0	85.6

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	31 December 2015	31 December 2014
		(revised)
	£m	£m
Sterling	126.7	155.5
Euro	79.6	101.0
US Dollar	108.3	310.3
Other Currencies	16.7	13.4
	331.3	580.2

Movements on the Group provision for impairment of trade receivables are as follows:

	31 December 2015	31 December 2014
	£m	£m
1 January 2015/1 April 2014	5.0	5.2
Provision for receivables impairment	3.0	2.2
Receivables written off during the year/period as uncollectible	(1.1)	(0.4)
Provisions no longer required	–	(1.9)
Foreign exchange	(0.2)	(0.1)
31 December	6.7	5.0

The creation and release of the provision for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

20. Financial assets and financial liabilities

Financial instruments by category

The financial instruments of the Group and Company are categorised as follows:

	Group					Company		
	Loans and receivables	Held-to- maturity assets	Available for sale at fair value through OCI	Financial instruments at fair value through profit or loss	Total	Loans and receivables	Financial instruments at fair value through profit or loss	Total
	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2015								
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	–	273,531.5	273,531.5	–	–	–
– Receivables for repurchase transactions	127,603.0	–	–	–	127,603.0	–	–	–
– Other receivables from clearing members	7,119.5	–	–	–	7,119.5	–	–	–
– Financial assets	–	102.4	10,038.3	9,849.6	19,990.3	–	–	–
– Cash and cash equivalents of clearing members	28,444.2	–	–	–	28,444.2	–	–	–
Financial assets of the CCP clearing business	163,166.7	102.4	10,038.3	283,381.1	456,688.5	–	–	–
Assets held at fair value	–	–	–	1.4	1.4	–	–	–
Total financial assets for CCP clearing business	163,166.7	102.4	10,038.3	283,382.5	456,689.9	–	–	–
Other non-current assets	46.0	–	–	–	46.0	–	–	–
Trade and other receivables	331.3	–	–	–	331.3	550.2	–	550.2
Cash and cash equivalents	923.9	–	–	–	923.9	0.9	–	0.9
Assets held at fair value	–	–	8.5	–	8.5	–	–	–
Available for sale financial assets	–	–	61.0	–	61.0	–	–	–
Derivatives not designated as hedges								
– Foreign exchange forward contracts	–	–	–	0.4	0.4	–	–	–
Derivatives used for hedging								
Net investment hedges:								
– Cross currency interest rate swaps	–	–	–	47.5	47.5	–	47.5	47.5
Total	164,467.9	102.4	10,107.8	283,430.4	458,108.5	551.1	47.5	598.6

There were no transfers between categories during the year.

Notes to the financial statements continued

	Group			Company		
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total
	£m	£m	£m	£m	£m	£m
31 December 2015						
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	273,531.5	273,531.5	–	–	–
– Liabilities under repurchase transactions	127,603.1	–	127,603.1	–	–	–
– Other payables to clearing members	55,528.4	–	55,528.4	–	–	–
– Financial liabilities held at fair value	–	0.3	0.3	–	–	–
Total financial liabilities of the CCP clearing business	183,131.5	273,531.8	456,663.3	–	–	–
Trade and other payables	452.4	–	452.4	201.9	–	201.9
Borrowings	1,608.9	–	1,608.9	885.1	–	885.1
Provisions	10.8	–	10.8	–	–	–
Other non-current liabilities	33.8	31.5	65.3	–	–	–
Other non-current payables	43.5	–	43.5	–	–	–
Total	185,280.9	273,563.3	458,844.2	1,087.0	–	1,087.0

There were no transfers between categories during the year.

The financial instruments of the Group and Company at the previous year's balance sheet date were as follows:

	Group					Company		
	Loans and receivables	Held-to-maturity assets	Available for sale at fair value through OCI	Financial instruments at fair value through profit or loss	Total	Loans and receivables	Financial instruments at fair value through profit or loss	Total
	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2014								
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	–	293,722.9	293,722.9	–	–	–
– Receivables for repurchase transactions	113,084.8	–	–	–	113,084.8	–	–	–
– Other receivables from clearing members	2,908.3	–	–	–	2,908.3	–	–	–
– Financial assets	–	306.1	10,806.8	9,123.9	20,236.8	–	–	–
– Cash and cash equivalents of clearing members	21,493.0	–	–	–	21,493.0	–	–	–
Financial assets of the CCP clearing business	137,486.1	306.1	10,806.8	302,846.8	451,445.8	–	–	–
Assets held at fair value	–	–	–	12.4	12.4	–	–	–
Total financial assets for CCP clearing business	137,486.1	306.1	10,806.8	302,859.2	451,458.2	–	–	–
Other non-current assets	42.9	–	–	21.9	64.8	–	–	–
Trade and other receivables (revised)	576.6	–	–	3.6	580.2	654.4	–	654.4
Cash and cash equivalents	1,052.0	–	–	75.2	1,127.2	0.2	–	0.2
Available for sale financial assets	–	–	4.8	–	4.8	–	–	–
Derivatives not designated as hedges								
– Foreign exchange forward contracts	–	–	–	0.4	0.4	–	–	–
Derivatives used for hedging								
Net investment hedges:								
– Cross currency interest rate swaps	–	–	–	22.7	22.7	–	22.7	22.7
Total	139,157.6	306.1	10,811.6	302,983.0	453,258.3	654.6	22.7	677.3

Balances on available for sale at fair value through OCI in the prior period, included £306.1 million of government issued bonds, which were held to maturity. These have been re-classified in the current year.

	Group			Company		
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total
	£m	£m	£m	£m	£m	£m
31 December 2014						
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	293,722.8	293,722.8	–	–	–
– Liabilities under repurchase transactions	113,084.8	–	113,084.8	–	–	–
– Other payables to clearing members	44,650.1	–	44,650.1	–	–	–
– Financial liabilities held at fair value	–	9.8	9.8	–	–	–
Total financial liabilities of the CCP clearing business	157,734.9	293,732.6	451,467.5	–	–	–
Trade and other payables	727.4	–	727.4	195.0	–	195.0
Borrowings	1,726.4	–	1,726.4	923.7	–	923.7
Provisions	14.4	–	14.4	–	–	–
Other non-current liabilities	43.1	34.4	77.5	–	–	–
Other non-current payables	73.3	–	73.3	–	–	–
Total	160,319.5	293,767.0	454,086.5	1,118.7	–	1,118.7

There were no transfers between categories during the prior period.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2015:

	Group			Total Fair Value
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	£m	£m	£m	£m
Financial assets measured at fair value:				
CCP trading assets				
Derivative instruments:				
– Futures	6,546.1	–	–	6,546.1
– Options	1,355.0	–	–	1,355.0
– Commodities derivatives	42.8	–	–	42.8
Non-derivative instruments:				
– CCP transactions	5.0	265,582.6	–	265,587.6
Financial assets:				
– Equities and bonds	9,851.0	–	–	9,851.0
– Securities	6,605.4	–	–	6,605.4
– Government backed, bank issue certificates of deposits	3,432.9	–	–	3,432.9
Fair value of transactions with CCP members	27,838.2	265,582.6	–	293,420.8
Assets held at fair value:				
– Government bonds	–	8.5	–	8.5
Available for sale financial assets:				
– Investment in unquoted equity – Euroclear	–	4.8	–	4.8
– Government bonds	–	56.2	–	56.2
Derivatives not used for hedging:				
– Foreign exchange forward contracts	–	0.4	–	0.4
Derivatives used for hedging:				
– Cross currency interest rate swaps	–	47.5	–	47.5

At 31 December 2015, the Company had derivative assets of £47.5 million (31 December 2014: £22.7 million). All derivatives in the Company are cross currency interest rate swaps and classified as Level 2.

Notes to the financial statements continued

	Group			Total Fair Value £m
	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	
Financial liabilities measured at fair value:				
CCP trading liabilities				
Derivative instruments:				
– Futures	6,546.1	–	–	6,546.1
– Options	1,355.0	–	–	1,355.0
– Commodities derivatives	42.8	–	–	42.8
Non-derivative instruments:				
– CCP balances	4.9	265,582.7	–	265,587.6
Financial liabilities held at fair value:				
– Equities and bonds	0.3	–	–	0.3
Fair value of transactions with CCP members	7,949.1	265,582.7	–	273,531.8
Other non-current liabilities:				
– Canadian dollar denominated Put Option	–	24.0	–	24.0
– Euro denominated Put Option	–	7.5	–	7.5

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2014:

	Group			Total Fair Value £m
	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	
Financial assets measured at fair value:				
CCP trading assets				
Derivative instruments:				
– Futures	3,715.9	–	–	3,715.9
– Options	1,184.3	–	–	1,184.3
– Commodities derivatives	138.4	–	–	138.4
Non-derivative instruments:				
– CCP transactions	5.7	288,678.6	–	288,684.3
Financial assets:				
– Equities and bonds	6,957.8	–	–	6,957.8
– Securities	6,491.8	–	–	6,491.8
– Government backed, bank issued certificates of deposits	6,493.5	–	–	6,493.5
Fair value of transactions with CCP members	24,987.4	288,678.6	–	313,666.0
Available for sale financial assets:				
– Investment in unquoted equity – Euroclear	–	4.8	–	4.8
Derivatives not used for hedging:				
– Foreign exchange forward contracts	–	0.4	–	0.4
Derivatives used for hedging:				
– Cross currency interest rate swaps	–	22.7	–	22.7
Other non-current assets:				
– Investments in subordinated trust	–	11.9	–	11.9
– Investment Funds	–	2.7	5.3	8.0
– Investments in preferred securities	–	–	2.0	2.0
Trade and other receivables:				
– Investments in subordinated trusts	3.6	–	–	3.6
Cash and cash equivalents:				
– Money market mutual funds	75.2	–	–	75.2

Balances on government backed, bank issued certificates of deposits have been restated in the current year to exclude £306.1 million of government issued bonds held to maturity.

	Group			Total Fair Value £m
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	£m	£m	£m	
Financial liabilities measured at fair value:				
CCP trading liabilities				
Derivative instruments:				
– Futures	3,715.9	–	–	3,715.9
– Options	1,184.3	–	–	1,184.3
– Commodities derivatives	138.4	–	–	138.4
Non-derivative instruments:				
– CCP balances	5.7	288,678.5	–	288,684.2
Financial liabilities held at fair value:				
– Equities and bonds	9.8	–	–	9.8
Fair value of transactions with CCP members	5,054.1	288,678.5	–	293,732.6
Other non-current liabilities:				
– Canadian dollar denominated Put Option	–	26.8	–	26.8
– Euro denominated Put Option	–	7.6	–	7.6

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities classified as Level 1, the fair value is based on market price quotations at the reporting date.

For assets and liabilities classified as Level 2, the fair value is calculated using 1 or more valuation techniques (e.g. the market approach or the income approach) with market observable inputs. The selection of the appropriate valuation techniques may be affected by the availability of the relevant inputs as well as the reliability of the inputs. The inputs may include currency rates, interest rate and forward rate curves and net asset values. The results of the application of the various techniques may not be equally representative of fair value, due to factors such as assumptions made in the valuation.

There have been no transfers between Level 1 and Level 2 during the year or in the prior period.

When observable market data is not available, the Group uses 1 or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments.

At the end of the prior period, the Group held investments in preferred securities and investment funds for which there was no active market. These interests, in the absence of a recent and relevant secondary market transaction, were classified as Level 3 because the valuations required significant levels of management judgement. All interests in Level 3 investments were reclassified to assets held for sale of during the year. The Group had no Level 3 financial instruments at the end of the year.

There were no gains or losses from Level 3 assets and liabilities for the year recognised in the income statement and in the statement of other comprehensive income.

Notes to the financial statements continued

The following table provides a reconciliation from opening balance to closing balance of Level 3 assets:

	Investment funds	Investment in preferred securities
	£m	£m
Balance at 1 January 2015	5.3	2.0
Reclassified to assets held for sale	(5.3)	(2.0)
Balance at 31 December 2015	–	–

With the exception of Group borrowings, management has assessed that the fair value of financial assets and financial liabilities categorised as 'Loans and receivables', 'Held to Maturity' and 'Financial liabilities at amortised cost' approximate their carrying values. The fair value of the Group's borrowings is disclosed in Note 24.

The Group's financial assets and liabilities held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies section in Note 1.

As at 31 December 2015, there were no provisions for impairment in relation to any of the CCP financial assets (31 December 2014: nil) and none of these assets were past due (31 December 2014: nil).

Other non-current assets include financial instruments at fair value through profit and loss of nil (31 December 2014: £21.9 million), prepayments relating to tax and insurances of £42.5 million (31 December 2014: £35.4 million), rental deposits of £0.8 million (31 December 2014: £0.4 million), deferred commissions of nil (31 December 2014: £1.3 million), finance lease recoverable of £1.9 million (31 December 2014: £1.9 million) and other financial assets are £0.8 million (31 December 2014: £3.9 million).

Other non-current liabilities include deferred consideration of £17.1 million (31 December 2014: £15.9 million), put options of £31.5 million (31 December 2014: £34.4 million), non-current lease obligations of nil (31 December 2014: £5.1 million), rental deposits of £2.8 million (31 December 2014: nil) and other financial liabilities related to the clearing business of £13.9 million (31 December 2014: £22.1 million).

Other non-current payables included incentive compensation liabilities of £40.7 million (31 December 2014: £31.7 million), deferred compensation of nil (31 December 2014: £12.9 million), tax liabilities of £2.7 million (31 December 2014: £3.0 million) and long term liabilities including tenant improvements and rentals of £0.1 million (31 December 2014: £25.7 million).

Hedging activities and derivatives

Derivative financial assets of £47.5 million represents the fair value of the cross currency interest rate swaps (amounting to 10 contracts totalling €500.0 million notional). These effectively exchange some of the obligations and coupons of the 2016 and the 2019 £250.0 million bonds from Sterling into Euros in order to more closely match the currency of borrowings to the Group's currency of net assets and earnings. This results in a reduction in translation exposure on Euro denominated net assets and the protection of Sterling cash flows. These swaps have been designated as a hedge of the Group's net investment in the Italian group and qualify for effective hedge accounting. For the year ended 31 December 2015, the Group recognised the £24.8 million movement in mark to market value of these derivatives in reserves (period ended 31 December 2014: £20.0 million).

Foreign exchange forward contracts were arranged during the year to hedge the fair value of Euro, USD and JPY denominated exposures. These hedges forward buy and sell payables and receivables denominated in Euro, USD and JPY, with the mark to market adjustments offsetting the hedged item revaluation in the income statement. This also offers more predictable cash flows to the Group at maturity. At 31 December 2015, payables of €17 million (31 December 2014: nil) and US\$28.5 million (31 December 2014: US\$12.7 million) and receivables of JPY4.2 billion (31 December 2014: JPY4.2 billion) were hedged forward into the next financial year. The market value of the hedges was £0.4 million (31 December 2014: £0.4 million) in aggregate.

21. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following table shows the impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 December 2015.

	Gross amounts	Amount offset	Net amount as reported
	£m	£m	£m
31 December 2015			
Derivative financial assets	1,619,842.3	(1,617,730.3)	2,112.0
Reverse repurchase agreements	434,753.9	(171,278.6)	263,475.3
Total assets	2,054,596.2	(1,789,008.9)	265,587.3
Derivative financial liabilities	(1,614,067.0)	1,611,955.0	(2,112.0)
Reverse repurchase agreements	(434,753.9)	171,278.6	(263,475.3)
Total liabilities	(2,048,820.9)	1,783,233.6	(265,587.3)

The impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 December 2014 is as follows:

	Gross amounts ¹	Amount offset ¹	Net amount as reported
	£m	£m	£m
31 December 2014			
Derivative financial assets	3,180,302.5	(3,179,055.5)	1,247.0
Reverse repurchase agreements	459,908.4	(172,469.5)	287,438.9
Total assets	3,640,210.9	(3,351,525.0)	288,685.9
Derivative financial liabilities	(3,180,302.5)	3,179,055.5	(1,247.0)
Reverse repurchase agreements	(459,908.4)	172,469.5	(287,438.9)
Total liabilities	(3,640,210.9)	3,351,525.0	(288,685.9)

1. Gross amounts and amounts offset in relation to derivative financial assets and liabilities have been amended from those previously reported as at 31 December 2014. As a result, there has been no impact to the net amount reported in the balance sheet, amounts reported in the income statement, cash flow statement or any other disclosures in the financial statements.

All offset amounts are held in the CCP trading assets and CCP trading liabilities within the Group's financial instruments.

As CCPs, the Group's operating companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £265,587.3 million (31 December 2014: £288,685.9 million) to nil. Default funds for derivatives of £3,860.0 million (31 December 2014: £5,689.8 million), repurchase agreements of £1,481.9 million (31 December 2014: £1,452.3 million) and other transactions of £197.5 million (31 December 2014: £312.6 million) are held by the Group. In addition, the Group holds margin of €71,158.0 million (31 December 2014: €49,400.6 million) for derivatives, €29,424.0 million (31 December 2014: €22,249.2 million) for repurchase agreements and €3,080.0 million (31 December 2014: €2,305.4 million) for other transactions, as well as additional variation margin amounts which are not allocated by business line.

Included within member assets and liabilities are £277.5 million (31 December 2014: nil) and £83.1 million (31 December 2014: nil) respectively in relation to contracts where changes in net present value have settled to market (available for members to opt in with effect from December 2015).

22. Cash and cash equivalents

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Cash at bank	359.0	929.7	0.9	0.2
Short term deposits	564.9	197.5	–	–
	923.9	1,127.2	0.9	0.2

Cash and cash equivalents are held with authorised counterparties of a high credit standing, in secured investments at LCH.Clearnet Group companies and at CC&G and unsecured interest bearing current and call accounts, short term deposits and AAA rated money market funds elsewhere in the Group. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values. Cash and cash equivalents do not include amounts held by certain subsidiaries on behalf of their clearing members, the use of which is restricted to the operation of the clearers as managers of the clearing and guarantee system (see note 20).

At 31 December 2015, cash and cash equivalents shown above include £719.1 million (31 December 2014: £1,011.3 million) of amounts held by regulated entities for regulatory and operational purposes. Total amounts set aside for regulatory and operational purposes include current assets held at fair value of £8.5 million (31 December 2014: nil), non-current assets held at fair value of £56.2 million (31 December 2014: nil) and amounts held in the Russell Investment Management business which is now reported as discontinued.

All amounts are subject to regular reviews with regulators in the UK, France, Italy and the USA.

Notes to the financial statements continued

23. Trade and other payables

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Trade payables	39.4	261.7	–	–
Amounts owed to Group undertakings	–	–	176.5	163.7
Social security and other taxes	19.3	27.1	0.3	0.1
Other payables	189.8	153.8	14.0	0.7
Accruals and deferred income	247.4	358.1	11.1	30.5
	495.9	800.7	201.9	195.0
Current	452.4	727.4	201.9	195.0
Non-current	43.5	73.3	–	–
	495.9	800.7	201.9	195.0

24. Borrowings

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Current				
Bank borrowings and trade finance loans	680.0	789.9	88.4	127.0
Bonds	250.2	–	250.2	–
	930.2	789.9	338.6	127.0
Non-current				
Bonds	546.5	796.7	546.5	796.7
Preferred securities	132.2	139.8	–	–
	678.7	936.5	546.5	796.7

The Group has the following committed bank facilities and unsecured notes:

Type	Expiry Date	Notes/Facility £m	Carrying value at 31 December 2015 £m	Interest rate percentage at 31 December 2015 %
Drawn value of Facilities				
Multi-currency revolving credit facility	Jun 2017	600.0	530.7	LIBOR + 0.6
Multi-currency revolving credit facility	Nov 2020	600.0	149.3	LIBOR + 0.45
Total Bank Facilities		1,200.0	680.0	
Bonds due July 2016	Jul 2016	250.0	250.2	5.875
Bonds due October 2019	Oct 2019	250.0	248.6	9.125
Bonds due November 2021	Nov 2021	300.0	297.9	4.75
LCH.Clearnet Preferred Securities	May 2017	147.4	132.2	6.576
Total Bonds		947.4	928.9	
Total Committed Facilities		2,147.4	1,608.9	

The carrying value of bank drawn facilities and bonds at 31 December 2014 was £789.1 million and £936.5 million, respectively.

Current borrowings

The Group arranged £600 million of new, committed facilities in November 2015 to replace existing facilities of £700 million. The resulting committed bank lines total £1,200 million. These facilities were partially utilised at 31 December 2015 with £680.0 million (31 December 2014: £789.1 million) drawn which includes £1.7 million of deferred arrangement fees.

In July 2006, the Company issued a £250 million bond which is unsecured and is due for repayment in July 2016. Interest is paid semi-annually in arrears in January and July each year. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on movements in the Company's credit rating with Moody's which improved 1 notch to Baa1 during the financial year. The bond coupon consequently reduced from 6.125% per annum to 5.875% per annum during this year.

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day to day liquidity requirements across its operations. The aggregate drawings against these facilities as at 31 December 2015 was nil (31 December 2014: £0.8 million).

CC&G has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged back-up credit lines with a number of commercial banks, which totaled €420 million at 31 December 2015 (31 December 2014: €400 million), for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH.Clearnet SA has a French banking licence and is able to access refinancing at the European Central Bank to support its liquidity position. LCH.Clearnet Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position and, following the announcement by the Bank of England on 5 November 2014, is eligible to apply for participation in the sterling monetary framework to further support the CCP in member or market stress scenarios.

Non-current borrowings

In June 2009, the Company issued a £250 million bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99,548 per £100 nominal. The coupon on the bond is dependent on the Company's credit ratings with Moody's and Standard & Poor's. The bond coupon remained at 9.125% per annum throughout the financial period.

In November 2012, the Company issued a £300 million bond under its euro medium term notes programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75% per annum.

In May 2007, LCH.Clearnet Group Limited issued through Freshwater Finance plc a €200 million of Perpetual Preferred Securities to underpin its capital structure. €20 million of these Securities were subsequently repurchased in the market by LCH.Clearnet Group Limited. The coupon on these Securities is currently a fixed rate of 6.576% per annum and interest is paid annually. In May 2017, this coupon will be replaced by a rate of 3 month Euribor plus 2.1% per annum, and is the trigger point for a first call of the Securities.

Fair values

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

Group	31 December 2015		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
	£m	£m	£m	£m
Borrowings				
– within 1 year	930.2	935.7	789.9	789.9
– after more than 1 year	678.7	772.6	936.5	1,067.8
	1,608.9	1,708.3	1,726.4	1,857.7

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

Company	31 December 2015		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
	£m	£m	£m	£m
Borrowings				
– within 1 year	338.5	344.0	127.0	127.0
– after more than 1 year	546.6	637.4	796.7	920.0
	885.1	981.4	923.7	1,047.0

Borrowings are classified as Level 2 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over LIBOR.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Currency	31 December 2015			31 December 2014		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
	£m	£m	£m	£m	£m	£m
Sterling	885.1	(368.5)	516.6	923.7	(389.5)	534.2
Euro	132.2	368.5	500.7	140.1	389.5	529.6
USD	591.6	–	591.6	662.1	–	662.1
Sri Lankan Rupees	–	–	–	0.5	–	0.5
Total	1,608.9	–	1,608.9	1,726.4	–	1,726.4

The carrying amounts of the Company's borrowings are denominated in the following currencies:

Currency	31 December 2015			31 December 2014		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
	£m	£m	£m	£m	£m	£m
Sterling	885.1	(368.5)	516.6	923.7	(389.5)	534.2
Euro	–	368.5	368.5	–	389.5	389.5
Total	885.1	–	885.1	923.7	–	923.7

Notes to the financial statements continued

25. Analysis of net debt

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Due within 1 year				
Cash and cash equivalents	923.9	1,127.2	0.9	0.2
Bank borrowings	(680.0)	(789.9)	(88.4)	(127.0)
Bonds	(250.2)	–	(250.2)	–
Derivative financial assets	25.5	0.4	25.0	–
	19.2	337.7	(312.7)	(126.8)
Due after 1 year				
Bonds	(546.5)	(796.7)	(546.5)	(796.7)
Preferred securities	(132.2)	(139.8)	–	–
Derivative financial assets	22.4	22.7	22.4	22.7
Total net debt	(637.1)	(576.1)	(836.8)	(900.8)

Reconciliation of net cash flow to movement in net debt

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Increase in cash in the year/ period	90.2	254.5	0.7	0.2
Bank loan repayments less new drawings	143.5	(519.9)	38.7	(101.0)
Change in net debt resulting from cash flows	233.7	(265.4)	39.4	(100.8)
Foreign exchange movements	(67.0)	(29.4)	(0.1)	(0.2)
Movement on derivative financial assets and liabilities	24.8	23.8	24.7	20.0
Bond valuation adjustment	–	0.1	–	0.1
Reclassification to assets held for sale	(252.5)	–	–	–
Net debt at the start of the year/ period	(576.1)	(305.2)	(900.8)	(819.9)
Net debt at the end of the year/ period	(637.1)	(576.1)	(836.8)	(900.8)

26. Share capital and premium

Ordinary shares issued and fully paid

	Number of shares	Ordinary shares ¹	Share premium	Total
	millions	£m	£m	£m
At 1 April 2014	271.1	18.8	–	18.8
Issue of shares to the Employee Benefit Trust	1.5	0.1	–	0.1
Rights issue	74.3	5.0	957.7	962.7
At 31 December 2014	346.9	23.9	957.7	981.6
Issue of shares	1.0	0.1	–	0.1
Issue of shares to the Employee Benefit Trust	0.4	–	2.3	2.3
At 31 December 2015	348.3	24.0	960.0	984.0

1. Ordinary Shares of 6⁷⁹/₈₆p

In the current year, the Group issued 1,000,000 ordinary shares (period ended 31 December 2014: 1,500,000 ordinary shares) at par value 6⁷⁹/₈₆ pence to the Employee Benefit Trust in relation to the Group's employee share option schemes.

In addition, the Group issued 419,602 ordinary shares of par value 6⁷⁹/₈₆ pence at 564.663 pence to settle employee 'Save As You Earn' share plans. This generated a premium of £2.3 million.

In the prior period, the Group announced a 3 for 11 Rights Issue on 22 August 2014 in relation to the acquisition of the Frank Russell Company. The Rights Issue took place on 11 September 2014 and constituted 74,347,813 new ordinary shares of par value 6⁷⁹/₈₆ pence at 1,295 pence. This generated share premium of £957.7 million. The new ordinary shares issued during the Rights Issue have the same rights as the other shares in issue.

27. Provisions

Group	Property	Other	Total
	£m	£m	£m
1 January 2015	14.4	–	14.4
Utilised during the year	(1.1)	–	(1.1)
Unwinding of discount on provision	1.2	–	1.2
Provisions no longer required	(3.5)	–	(3.5)
Additional charge in the year	–	0.9	0.9
Reclassification to liabilities directly associated with assets held for sale	(0.8)	(0.3)	(1.1)
31 December 2015	10.2	0.6	10.8
Current	0.9	0.6	1.5
Non-current	9.3	–	9.3
31 December 2015	10.2	0.6	10.8

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 1 and 13 years to expiry.

Other provisions primarily include legal provisions in relation to ongoing disputes with third parties and other claims against the Group. These claims are expected to be settled in the next financial year.

The Company has no provisions.

28. Net cash flow generated from operations

	Notes	Group		Company	
		Year ended 31 December 2015	Period ended 31 December 2014	Year ended 31 December 2015	Period ended 31 December 2014
		£m	£m	£m	£m
Profit before taxation		433.7	191.0	46.5	166.0
Depreciation and amortisation		217.4	136.3	–	–
Profit on disposal of investment in a subsidiary	10	(19.9)	(0.1)	–	–
Net finance expense/(income)	8,10	66.2	51.1	(91.2)	(128.5)
Increase/(decrease) in inventories		2.7	(5.9)	–	–
Decrease/(increase) in trade and other receivables		104.2	0.7	153.2	(3.7)
(Increase)/decrease in trade and other payables		(19.2)	(14.2)	34.4	10.4
Impairment of goodwill and intangibles	14	1.0	22.0	–	–
(Increase)/decrease in CCP financial assets		(31,702.3)	20,425.6	–	–
Increase/(decrease) in CCP clearing business liabilities		31,649.4	(20,380.1)	–	–
Decrease in assets held at fair value		2.7	5.0	–	–
Defined benefit pension obligation – contributions in excess of expenses charged		(2.8)	(3.1)	–	–
Provisions utilised during the year/period		(4.6)	(6.9)	–	–
Reduction in obligation arising from acquisition of business		–	(2.4)	–	–
Share scheme expense		32.1	4.2	–	–
Foreign exchange losses on operating activities		(4.6)	(9.8)	(24.7)	(13.7)
Purchase of investment funds		(21.1)	–	–	–
Gain on disposal of property, plant and equipment and assets held for sale		(0.8)	–	–	–
Cash generated from operations		734.1	413.4	118.2	30.5
Comprising:					
Ongoing operating activities		803.7	481.3	159.9	(4.1)
Non-recurring items		(69.6)	(67.9)	(41.7)	34.6
		734.1	413.4	118.2	30.5

29. Commitments and contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £0.9 million (period ended 31 December 2014: £1.9 million) and nil (period ended 31 December 2014: nil), respectively.

In the normal course of business, the Group and Company receive legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from the Group or Company, a provision is made representing the expected cost of settling such claims.

Notes to the financial statements continued

30. Business combinations

Acquisitions in the year to 31 December 2015

The Group made 2 acquisitions in the year ended 31 December 2015.

Exactpro Systems Limited

On 29 May 2015, the Group acquired a 100% interest in Exactpro Systems Limited (Exactpro) for a total consideration of US\$6.8 million (£4.3 million), comprising £2.2 million cash consideration and £2.1 million deferred consideration. The main activity of Exactpro is to provide quality assurance to exchanges, investment banks, brokers and other financial sector organisations worldwide. The provisional fair value of net assets acquired was £1.4 million and the Group recognised £2.9 million in goodwill; these fair values will be finalised within 12 months of the acquisition date.

The Group's consolidated income statement for the year includes revenue of £1.6 million and operating profit of £0.9 million in respect of the Exactpro business since the acquisition date.

If the acquisition had occurred on 1 January 2015, the estimated Group revenue for the year from continuing operations would have been £1,327.5 million, with operating profit (before amortisation of purchased intangible assets and non-recurring items) of £582.9 million. These amounts have been calculated using the Group's accounting policies and based on available information.

XTF Inc.

On 21 December 2015, the Group acquired the trade and assets from XTF Inc. (XTF) for consideration of US\$1.5 million (£1.0 million). Cash consideration amounting to £0.7 million was paid to the seller in the year ended 31 December 2015, and an estimated £0.3 million is payable on completion of the purchase price exercise. XTF is a U.S. based provider of high-quality ETF data, analytics and ratings. The Group recognised provisional goodwill of £1.0 million and the provisional fair value of net assets acquired was nil. The fair values are preliminary and will be finalised within 12 months of the acquisition date. The post acquisition revenues and operating profit attributable to the XTF assets were not material to the Group. If the acquisition had occurred on 1 January 2015, the results of XTF would have had an immaterial impact on the Group's revenue and operating profit from continuing operations for the year ended 31 December 2015.

None of the goodwill in relation to the 2 acquisitions in the year is expected to be deductible for tax purposes.

Acquisitions in the period to 31 December 2014

The Group made 2 acquisitions during the period ended 31 December 2014.

Frank Russell Company

On 2 December 2014, the Group completed the acquisition of the entire issue share capital of Frank Russell Company (Russell). Russell operated in 2 segments, those being information services through its index business and investment management. The index business is a leading provider of benchmarks to US-focused equity funds and also provides customised and innovative index solutions for clients. The investment management business held US\$273 billion assets under management at the end of December 2014 and is a leading provider of multi-asset class investment solutions to institutional and retail investors worldwide.

The consideration paid by the Group at completion was £1,678.5 million comprising approximately £962.7 million financed from the net proceeds of a Rights Issue and the remaining financed in US dollars by the Group's multi-currency bank debt facilities, including a £600 million multi-currency revolving credit facility.

In the prior period, the Group recognised £476.0 million in provisional goodwill and the provisional fair value of net assets identified was £1,209.9 million, including £1,514.0 million of other intangibles assets.

Subsequent to the period ended 31 December 2014, the Group completed the exercise of attributing fair value adjustments to the assets and liabilities acquired from the Frank Russell Company. As a result, final fair value adjustments have been made to the previously presented provisional fair values at 31 December 2014 resulting in a reduction in the value of purchase consideration of £9.1 million and an increase in other receivables of £9.1 million. The impact of these final fair value adjustments is a decrease in goodwill of £9.1 million to amounts previously disclosed in our 31 December 2014 Annual Report and Interim Report 2015. These have been incorporated with effect from the date of acquisition and the comparative balance sheet and related notes have been revised to reflect these fair value adjustments.

Bonds.com Group

On 8 May 2014, the Group acquired 100% of Bonds.com Group, a US-based electronic trading platform for U.S. corporate and emerging market bonds for a consideration of £8.8 million. As at 31 December 2014, the Group recognised £8.7 million in goodwill and the fair value of net assets identified was £0.1 million.

The valuation on the acquisition of Bonds.com was finalised during the year ended 31 December 2015 and resulted in a reduction of goodwill of £2.6 million, an increase in purchased intangibles of £4.4 million and an increase in deferred tax liability of £1.8 million compared to amounts previously disclosed in our 31 December 2014 Annual Report and Interim Report 2015. The impact of these final fair value adjustments have been incorporated with effect from the date of acquisition and the comparative balance sheet and related notes have been revised.

31. Leases

Operating lease commitments – Group as lessee

The Group leases various office properties and equipment under non-cancellable operating leases. The total future minimum lease payments under non-cancellable operating leases are due as follows:

	Property		Equipment	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Leases expiring in:				
Less than 1 year	25.4	46.0	0.1	0.3
More than 1 year but less than 5 years	85.8	145.1	–	0.1
More than 5 years	81.4	120.0	–	–
	192.6	311.1	0.1	0.4

Operating lease payments of £25.8 million (31 December 2014: £20.6 million) were charged to the income statement in the year in relation to property and £0.6 million (31 December 2014: £0.7 million) in the year in relation to equipment.

Operating lease commitments – Group as lessor

The total future minimum lease payments expected to be received under non-cancellable operating leases for property where the Group is lessor are due as follows:

	Property	
	31 December 2015	31 December 2014
	£m	£m
Leases expiring in:		
Less than 1 year	6.6	5.7
More than 1 year but less than 5 years	25.0	19.5
More than 5 years	7.8	4.1
	39.4	29.3

Finance lease commitments – Group as lessee

The Group has finance lease contracts for certain property rentals and software licenses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31 December 2015		31 December 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£m	£m	£m	£m
Leases expiring in:				
Less than 1 year	0.2	0.2	6.1	5.8
More than 1 year but less than 5 years	–	–	5.3	5.2
Total minimum lease payments	0.2	0.2	11.4	11.0
Less amounts representing finance charges	–	–	(0.4)	–
Present value of minimum lease payments	0.2	0.2	11.0	11.0

The Company has no lease commitments.

Finance lease commitments – Group as lessor

The Group has finance lease contracts for certain property rentals and software licenses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31 December 2015		31 December 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£m	£m	£m	£m
Leases expiring in:				
Less than 1 year	0.7	0.6	0.7	0.6
More than 1 year but less than 5 years	1.5	1.4	2.3	2.1
More than 5 years	–	–	–	–
Total minimum lease payments	2.2	2.0	3.0	2.7
Less amounts representing finance charges	(0.2)	–	(0.3)	–
Present value of minimum lease payments	2.0	2.0	2.7	2.7

The Company has no lease commitments.

Notes to the financial statements continued

32. Share Schemes

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2015 AGM, has 2 elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares – the latter element is not applicable to Executive Directors. Vesting of these awards is dependent upon the Company's total shareholder return performance and adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 70–87.

The SAYE scheme and International Sharesave Plan provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20% below fair market value. Share awards were granted at nil cost to employees and other share options were granted at fair market value or above.

The Group has an ESOP discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end, 462,378 (period ended 31 December 2014: 595,179) shares were held by the trust, funded in part by an interest free loan from the Group and in part by the issue of 1.4 million shares (period ended 31 December 2014: 1.5 million) shares.

The Company has no employees but, in accordance with IFRS 10 "Consolidated financial statements", has the obligation for the assets, liabilities, income and costs of the ESOP trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

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

	Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
31 March 2014	138,033	9.25	866,883	8.25	6,392,726	0.40
Granted	7,789	8.36	394,839	13.12	2,360,574	0.04
Exercised	(46,560)	8.83	(5,568)	6.23	(1,578,435)	0.79
Lapsed/forfeited	–	–	(96,163)	6.23	(300,971)	–
31 December 2014	99,262	8.36	1,159,991	9.44	6,873,894	0.17
Granted	–	–	247,582	20.54	2,148,055	–
Exercised	(60,152)	8.73	(422,081)	5.67	(1,397,635)	0.79
Lapsed/forfeited	(2,768)	7.73	(64,675)	12.89	(1,370,646)	0.07
31 December 2015	36,342	8.36	920,817	9.44	6,253,668	0.17
Exercisable at:						
31 December 2015	36,342	7.79	3,236	5.65	190,965	–
31 December 2014	44,119	7.61	–	–	9,286	8.9

The weighted average share price of London Stock Exchange Group plc shares during the year was £24.89 (period ended 31 December 2014: £19.69).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	31 December 2015		31 December 2014	
	Number outstanding	Weighted average remaining contractual life Years	Number outstanding	Weighted average remaining contractual life Years
Share options				
Less than £7	4,750	–	9,128	–
Between £7 and £8	20,140	–	24,168	–
Between £8 and £9	11,452	–	65,966	0.3
SAYE				
Less than £7	3,236	–	424,262	0.1
Between £7 and £8	187,720	–	205,433	0.2
Between £8 and £9	–	–	–	–
More than £9	729,861	0.8	530,296	1.1
LTIP				
Nil	6,253,668	1.0	6,739,835	1.5
Between £8 and £9	–	–	134,059	–
Total	7,210,827	1.4	8,133,147	1.4

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

	Performance Shares			Matching Shares				Restricted Share Award			Share Save Plan
	2 April 2015	15 October 2015	18 November 2015	10 April 2015	15 April 2015	15 October 2015	18 November 2015	2 April 2015	15 October 2015	18 November 2015	5 May 2015
Grant date share price	£24.84	£24.75	£25.52	£25.85	£25.20	£24.75	£25.52	£24.84	£24.75	£25.52	£24.77
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	3 years	0.2 years to 2.9 years	0.4 years to 2.4 years	0.87 years to 2.87 years	3.15 years
Exercise price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	£20.42
Dividend yield	1.4%	1.1%	1.1%	1.4%	1.4%	1.1%	1.1%	1.4%	1.1%	1.1%	0.9%
Risk-free interest rate	0.7%	0.7%	0.9%	0.7%	0.7%	0.7%	0.9%	0.4% to 0.7%	0.4% to 0.6%	0.4% to 0.9%	1.0%
Volatility	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
Fair value	–	–	–	–	–	–	–	£23.81 to £24.84	£23.95 to £24.63	£24.47 to £25.16	£6.09
Fair value TSR	£7.00	£6.98	£7.20	£7.23	£7.05	£6.98	£7.20	n.a.	n.a.	n.a.	n.a.
Fair value EPS	£23.81	£23.94	£24.69	£24.78	£24.16	£23.94	£24.69	n.a.	n.a.	n.a.	n.a.

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

33. Transactions with Related Parties

Key management compensation

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

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	£m
Salaries and other short term benefits	13.0	9.7
Pensions	0.9	0.8
Share based payments	13.1	7.9
	27.0	18.4

Notes to the financial statements continued

Inter-company transactions with subsidiary undertakings

The Company has loans with some subsidiary undertakings. Details as at 31 December 2015 are shown in the table below:

Loan counterparty	Amount in millions (owed to)/due from as at		Term	Interest rate as at 31 December 2015	Interest in millions (charge)/credit	
	31 December 2015	31 December 2014			Year ended 31 December 2015	Period ended 31 December 2014
London Stock Exchange plc	£(170.9)m	£(158.0)m	25 years from May 2006 with 5 equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	£(4.4)m	£(3.4)m
London Stock Exchange Employee Benefit Trust	£21.0m	£13.2m	Repayable on demand.	Non-interest bearing	nil	nil
London Stock Exchange Group Holdings (Italy) Limited	€97.7m	€201.2m	Fifth anniversary of the initial utilisation date which was April 2013.	EURIBOR plus 1.5% per annum	€2.4m	€1.0m
London Stock Exchange Group Holdings Limited	£340.0m	£416.3m	Tenth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	£18.3m	£16.0m
LSE Reg Holdings Limited	£13.5m	€2.7m	Fifth anniversary of the initial utilisation date which was December 2013.	EURIBOR plus 1.2% per annum	–	–
LSE Reg Holdings Limited	£(1.0)m	€0.4m	Fifth anniversary of the initial utilisation date which was December 2013.	LIBOR plus 1.2% per annum	–	–
London Stock Exchange (C) Limited	€48.4m	€55.7m	Fifth anniversary of the initial utilisation date which was April 2012.	EURIBOR plus 1.5% per annum	€0.7m	€0.6m
London Stock Exchange (C) Limited	£12.2m	€8.6m	Fifth anniversary of the initial utilisation date which was April 2012.	LIBOR plus 1.5% per annum	£0.2m	£0.1m
London Stock Exchange Group Holdings (Luxembourg) Ltd	\$17.4m	\$5.8m	Fifth anniversary of the initial utilisation date which was December 2014.	LIBOR plus 1.5% per annum	\$0.1m	nil
LSEG Employment Services Limited	£11.0m	nil	Fifth anniversary of the initial utilisation date which was January 2015.	LIBOR plus 1.2% per annum	£0.1m	nil

During the period, the Company charged in respect of employee share schemes £3.7 million (period ended 31 December 2014: £1.5 million) to London Stock Exchange plc, £5.0 million (period ended 31 December 2014: nil) to LSEG Employment Services Limited, £0.7 million (period ended 31 December 2014: £0.1 million) to London Stock Exchange Group Holdings Inc, £0.3 million (period ended 31 December 2014: £0.1 million) to SSC Global Business Services Limited (previously London Stock Exchange (OV) Limited), £0.2 million (period ended 31 December 2014: £0.1 million) to Turquoise Global Holdings Limited, £0.2 million (period ended 31 December 2014: nil) to UnaVista Limited, £3.1 million (period ended 31 December 2014: £0.7 million) to London Stock Exchange Group Holdings (Italy) Ltd, £1.1 million (period ended 31 December 2014: £0.2 million) to Millennium Group, £1.9 million (period ended 31 December 2014: £0.2 million) to FTSE Group, £4.3 million (period ended 31 December 2014: £1.4 million) to LCH.Clearnet Group and £0.7 million (period ended 31 December 2014: nil) to the Frank Russell Group.

The Company received dividends of £125.2 million (period ended 31 December 2014: £156.0 million) from its subsidiary London Stock Exchange plc.

The Group had £0.2 million (31 December 2014: nil) receivable from associates.

34. Events after the reporting period

On 23 February 2016, the Group confirmed that detailed discussions about a potential merger of equals was under way with Deutsche Börse.

The potential merger would be structured as an all-share merger of equals under a new holding company. Under the terms of the potential merger, LSEG shareholders would be entitled to receive 0.4421 new shares in exchange for each LSEG share and Deutsche Börse shareholders would be entitled to receive 1 new share in exchange for each Deutsche Börse share. Based on this exchange ratio, the parties anticipate that Deutsche Börse shareholders would hold 54.4%, and LSEG shareholders would hold 45.6% of the enlarged issued and to be issued share capital of the combined group. The combined group would have a unitary board composed of equal numbers of LSEG and Deutsche Börse Directors.

Discussions between the parties remain ongoing and any transaction would be subject to regulatory approval, Group shareholder approval and Deutsche Börse shareholders' acceptance, as well as other customary conditions.

35. Other Statutory Information

Auditors' remuneration payable to Ernst and Young LLP and its associates comprise the following:

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	£m
Audit of parent and consolidated financial statements	0.5	0.7
Audit of subsidiary companies	1.5	1.0
Audit related assurance services	0.2	0.3
Other non-audit services:		
– Taxation	0.3	0.1
– Other assurance services	0.1	0.1
Total	2.6	2.2

During the period ended 31 December 2014, PricewaterhouseCoopers LLP, the Group's previous auditor, and its associates charged £0.9 million in relation to their audits of material subsidiaries of the Group, and £1.5 million in relation to non-audit services. These amounts are excluded from the table above.

Further details of the services provided by Ernst and Young LLP are given in the Report of the Audit Committee on pages 64–67.

Directors' emoluments comprise the following:

	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Salary and fees	3.2	2.5
Performance bonus	3.0	2.1
Gains made on share awards	4.5	5.2
Benefits	0.3	0.3
	11.0	10.1
Contributions to defined contribution schemes	0.6	0.5
	11.6	10.6

During the year, 1 Director (period ended 31 December 2014: 1) had retirement benefits accruing under defined contribution schemes and 1 Director (period ended 31 December 2014: 1) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Remuneration Report on pages 70–87.

Related undertakings

A list of the Group's subsidiaries as at 31 December 2015 is given below including the percentage of each class held and the Group's ownership percentages.

The share ownership percentage records the percentage of each subsidiary's share capital owned within the LSEG Group. Shares owned directly by LSEG plc are listed as being a "direct" shareholding, shares owned by other LSEG Group companies are listed as an "indirect (group interest)" shareholding. Where more than 1 LSEG Group company owns shares in a subsidiary these interests have been added together. The ultimate economic interest percentage on the other hand does not show actual share ownership. It records LSEG plc's effective interest in the subsidiary, allowing for situations where subsidiaries are owned by partly owned intermediate subsidiaries.

All subsidiaries are consolidated in the Group's financial statements.

Name of subsidiary undertaking	Country of incorporation	Identity of each class of share held in the subsidiary undertaking	Direct or indirect holding	Share ownership %	LSEG plc ultimate economic interest %
A Street Investment Associates, Inc	United States	Common	Indirect (group interest)	100	100
BANQUE CENTRALE DE COMPENSATION (LCH.Clearnet SA)	France	Ordinary	Indirect (group interest)	100	57.8
BIRR Portfolio Analysis Inc	United States	Common	Indirect (group interest)	100	100
Bit Market Services S.p.A.	Italy	Ordinary	Indirect (group interest)	99.99	99.99
Bondclear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Bondnet Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Borsa Italiana SpA	Italy	Ordinary	Indirect (group interest)	99.99	99.99
Cassa Di Compensazione e Garanzia SpA (CC&G)	Italy	Ordinary	Indirect (group interest)	99.99	99.99
Equityclear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
EuroMTS Limited	UK	Ordinary A	Indirect (group interest)	100	60.36
EuroTLX SIM SpA	Italy	Ordinary	Indirect (group interest)	70	69.99
Exactpro Systems Limited	UK	Ordinary	Indirect (group interest)	100	100
Exactpro Systems, LLC	United States		Indirect (group interest)	100	100
Exactpro, LLC	Russian Federation		Indirect (group interest)	100	100
ForexClear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Frank Russell Company	United States	Common	Indirect (group interest)	100	100
Frank Russell Investment Partners 1997-2 GP	United States	Partnership	Indirect (group interest)	100	100
Frank Russell Investment Partners 1997-1 GP	United States	Partnership	Indirect (group interest)	100	100
FRF Partners II LLC	United States	Class B	Indirect (group interest)	98.16	98.16
FRF Partners IV LP	United States	Partnership	Indirect (group interest)	99.34	99.34
FTSE (Australia) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE (Beijing) Consulting Limited	China	Ordinary	Indirect (group interest)	100	100
FTSE (Japan) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE Americas, Inc	United States		Indirect (group interest)	100	100
FTSE China Index Ltd	Hong Kong	Ordinary	Indirect (group interest)	100	100
FTSE International (France) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE International (Hong Kong) Limited	Hong Kong	Ordinary	Indirect (group interest)	100	100
FTSE International (India) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE International (Italy) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE International (MEA) Ltd	United Arab Emirates	Ordinary	Indirect (group interest)	100	100
FTSE International Brasil Representacoes LTDA	Brazil	Ordinary	Indirect (group interest)	100	100

Notes to the financial statements continued

Name of subsidiary undertaking	Country of incorporation	Identity of each class of share held in the subsidiary undertaking	Direct or indirect holding	Share ownership %	LSEG plc ultimate economic interest %
FTSE International Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE Mexico Sociedad	Mexico	Ordinary	Indirect (group interest)	100	100
FTSE TMX Global Debt Capital Markets Inc ¹	Canada	Ordinary	Indirect (group interest)	100	73.94
FTSE TMX Global Debt Capital Markets Limited ¹	UK	Ordinary A Ordinary B	Indirect (group interest)	100 11.03	72.74 1.2
Gatelab Limited	UK	Ordinary	Indirect (group interest)	100	67
Gatelab Srl	Italy	Ordinary	Indirect (group interest)	67	67
globeSettle SA	Luxembourg	Ordinary	Indirect (group interest)	100	100
Innovate Mortgages Limited	UK	Ordinary	Indirect (group interest)	100	100
Innovative Trading Systems UK Limited	UK	Ordinary	Indirect (group interest)	100	100
Innovative Trading Systems, LLC	Russian Federation	Ordinary	Indirect (group interest)	100	100
International Commodities Clearing House Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH Pensions Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet (Luxembourg) S.A.R.L.	Luxembourg	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet Funding LP	UK	Capital Contribution	Indirect (group interest)	100	57.8
LCH.Clearnet GP Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet Group Limited	UK	Ordinary (Non Voting) Ordinary (Voting)	Indirect (group interest)	100 57.8	57.8
LCH.Clearnet Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet LLC	United States	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet PLP Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet Service Company Limited	UK	Ordinary	Indirect (group interest)	100	57.8
London Stock Exchange (C) Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Group (Services) Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Group Holdings (Italy) Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Group Holdings (R) Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Group Holdings Italia S.p.A	Italy	Ordinary	Indirect (group interest)	100	100
London Stock Exchange Group Holdings Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Plc	UK	Ordinary	Direct	100	100
London Stock Exchange Reg Holdings Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Connectivity Solutions PLP	UK	Partnership	Indirect (group interest)	100	100
LSEG Business Services Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG Derivatives Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG Employment Services Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG Information Services (US), Inc.	United States	Ordinary	Indirect (group interest)	100	100
LSEG LuxCo 1 S.a.r.l	Luxembourg	Ordinary	Indirect (group interest)	100	100
LSEG LuxCo 2 S.a.r.l	Luxembourg	Ordinary	Indirect (group interest)	100	100
LSEG Pension Trustees Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG Post Trade Services Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG US Holdco, Inc.	United States	Common	Direct	100	100
LSEGH (Luxembourg) Limited	UK	Ordinary	Direct	100	100
LSEGH Inc.	United States		Indirect (group interest)	100	100
LSEM LLC	Mongolia	Ordinary	Indirect (group interest)	100	100
Marché de TitreS France (MTS France)	France	Ordinary	Indirect (group interest)	100	60.36
MillenniumIT (US) Inc	United States		Indirect (group interest)	100	100
Millennium Information Technologies (India) (Private) Limited	India	Ordinary	Indirect (group interest)	100	100
Millennium Information Technologies Limited	Sri Lanka	Ordinary	Indirect (group interest)	100	100
Millennium It Software Limited	Sri Lanka	Ordinary	Indirect (group interest)	100	100
Millennium Information Technologies Limited (UK Branch)	UK	N/A	Indirect (group interest)	100	100
Millennium It Software Limited (UK Branch)	UK	N/A	Indirect (group interest)	100	100
Millennium Software (Canada) Inc	Canada		Indirect (group interest)	100	100
MillenniumIT Software Limited (Hong Kong Branch)	Hong Kong	N/A	Indirect (group interest)	100	100
MillenniumIT Software Limited (Singapore Branch)	Singapore	N/A	Indirect (group interest)	100	100
Monte Titoli SpA	Italy	Ordinary	Indirect (group interest)	98.87	98.86
MTS Markets International Inc.	United States	Ordinary	Indirect (group interest)	100	60.36
MTS SpA	Italy	Ordinary	Indirect (group interest)	100	60.36
Mtsnext Limited	UK	Ordinary	Indirect (group interest)	100	73.94
On-Line Partnership Group Limited	UK	Ordinary	Indirect (group interest)	100	100
Pension Benchmark Corporation	United States		Indirect (group interest)	100	100
Reproclear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Reponet Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Russell Capital Inc.	United States	Common	Indirect (group interest)	100	100
Russell Employee Benefits Pty Ltd	Australia	Ordinary	Indirect (group interest)	100	100

	Country of incorporation	Identity of each class of share held in the subsidiary undertaking	Direct or indirect holding	Share ownership %	LSEG plc ultimate economic interest %
Name of subsidiary undertaking					
Russell Financial Services India Private Ltd	India	Ordinary	Indirect (group interest)	100	100
Russell Financial Services, Inc.	United States	Common	Indirect (group interest)	100	100
Russell Financial Solutions Pty Ltd	Australia	Ordinary	Indirect (group interest)	100	100
Russell Fund Services Company	United States	Common	Indirect (group interest)	100	100
Russell Implementation Services Inc.	United States	Common	Indirect (group interest)	100	100
Russell Implementation Services Limited	UK	Ordinary	Indirect (group interest)	100	100
Russell Institutional Funds Management, LLC	United States	Membership	Indirect (group interest)	100	100
Russell Insurance Agency, Inc.	United States	Common	Indirect (group interest)	100	100
Russell International Services Company Inc.	United States	Common	Indirect (group interest)	100	100
Russell Investment Advisors (Shanghai) Co., Ltd	China		Indirect (group interest)	100	100
Russell Investment Group Japan Co., Ltd	Japan	Ordinary	Indirect (group interest)	100	100
Russell Investment Group Limited	New Zealand	Ordinary	Indirect (group interest)	100	100
Russell Investment Group Private Limited	Singapore	Ordinary	Indirect (group interest)	100	100
Russell Investment Group Pty Ltd	Australia	Ordinary	Indirect (group interest)	100	100
Russell Investment Management Ltd	Australia	Ordinary	Indirect (group interest)	100	100
Russell Investment Management Company	US		Indirect (group interest)	100	100
Russell Investment Tujajamun Chusik Hoesa	Korea, Republic of	Ordinary	Indirect (group interest)	100	100
Russell Investments Canada Limited	Canada	Ordinary	Indirect (group interest)	100	100
Russell Investments Cayman Ltd	Cayman Islands	Ordinary	Indirect (group interest)	100	100
Russell Investments Delaware Inc.	United States	Common	Indirect (group interest)	100	100
Russell Investments France SAS	France	Ordinary	Indirect (group interest)	100	100
Russell Investments Group Inc	United States	Common	Indirect (group interest)	100	100
Russell Investments Hong Kong Limited	Hong Kong	Ordinary	Indirect (group interest)	100	100
Russell Investments Ireland Ltd.	Ireland	Ordinary	Indirect (group interest)	100	100
Russell Investments Japan Co., Ltd	Japan	Ordinary	Indirect (group interest)	100	100
Russell Investments Limited	UK	Ordinary	Indirect (group interest)	100	100
Russell Investments South Africa Limited	South Africa	Ordinary	Indirect (group interest)	100	100
Russell Multi Asset Conservative Strategy Fund	UK		Indirect (group interest)	54	59
Russell Multi Asset Growth Fund	UK		Indirect (group interest)	100	100
Russell Systems Limited	UK	Ordinary	Indirect (group interest)	100	100
Russell Real Estate Advisors Inc.	United States	Common	Indirect (group interest)	100	100
Russell Trust Company	United States	Common	Indirect (group interest)	100	100
SSC Global Business Services Limited	UK	Ordinary	Indirect (group interest)	100	100
Stock Exchange (Holdings) Limited(The)	UK	Ordinary	Indirect (group interest)	100	100
Swapclear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
The London Clearing House Limited	UK	Ordinary	Indirect (group interest)	100	57.8
The London Produce Clearing House Limited	UK	Ordinary	Indirect (group interest)	100	57.8
The London Stock Exchange Retirement Plan Trustee Company Limited	UK	Ordinary	Indirect (group interest)	100	100
The On-Line Partnership Limited	UK	Ordinary	Indirect (group interest)	100	100
The Whitechurch Network Limited	UK	Ordinary	Indirect (group interest)	100	100
Total Risk Management Pty Limited	Australia	Ordinary	Indirect (group interest)	100	100
Turquoise Global Holdings Limited	UK	Ordinary A	Indirect (group interest)	100	51.36
Turquoise Trading Limited	UK	Ordinary	Indirect (group interest)	100	51.36
U.S. One, Inc	United States	Common	Indirect (group interest)	100	100
UnaVista LEI Limited	UK	Ordinary	Indirect (group interest)	100	100
Unavista Limited	UK	Ordinary	Indirect (group interest)	100	100

1. The absolute indirect (group interest) and direct holdings by the London Stock Exchange Group is 75.75%

The Group's associate undertakings were:

	Country of incorporation	Identity of each class of share held in the subsidiary undertaking	Direct or indirect holding	Share ownership % held by the Parent Company	Group ultimate economic interest %
Associate name					
GGEP Investments (Bermuda). Ltd	Bermuda	Common	Indirect (group interest)	30	30
GGEP Investments LLC	United States	Common	Indirect (group interest)	30	30
GGEP Management (Bermuda) Limited	Bermuda	Common	Indirect (group interest)	30	30
GGEP Management LLC	United States	Common	Indirect (group interest)	30	30
MTS Associated Markets S.A.	Italy	Ordinary A	Indirect (group interest)	21.26	12.83

The accounting reference dates for all of the associates are 31 December.

Glossary

- AIM**
The Group's market for smaller and growing companies established in London and now extended to AIM Italia – MAC
- Borsa Italiana (Bit)**
Borsa Italiana S.p.A., the Group's Italian exchange business
- CAGR**
Compound annual growth rate
- CCP**
Central Counterparty – stands between 2 parties to a trade to eliminate counterparty risk by ensuring that settlement takes place
- CC&G**
Cassa di Compensazione e Garanzia S.p.A., the Group's Italian subsidiary which manages the Italian CCP for equity, derivative, commodity and fixed income trades
- Central Securities Depository (CSD)**
An entity that enables securities to be processed, settled and held in custody
- Central Securities Depositories Regulation (CSDR)**
EU regulations framework to harmonise CSD operations
- Company or LSEG, London Stock Exchange Group**
London Stock Exchange Group plc and its subsidiaries
- CONSOB**
Commissione Nazionale per le Società e la Borsa, Italy's official body for regulating and supervising companies and trading infrastructure providers
- CPI**
Consumer Price Index which measures changes in the price of consumer goods and services purchased by households
- CurveGlobal**
An interest rate derivatives venture between LSEG and a number of major dealer banks together with the Chicago Board Options Exchange
- Dark Pool**
Electronic trading networks developed by regulated venues such as Regulated Markets, MTFs and by OTC broker dealers to enable the matching of orders between buyers and sellers without pre-trade transparency until the trade is complete
- Depository Receipts/Global Depository Receipts (GDR)**
Tradable certificates representing ownership of a number of underlying shares, mainly for companies in developing or emerging markets
- Derivatives**
Tradable financial instruments whose value is determined by the value of underlying instruments; this could be equity, an index, a commodity or any other tradable instrument
- Exchange traded derivatives (ETD)** are listed derivatives traded on an electronic trading venue such as an exchange and cleared through a clearing house
- Over the counter (OTC)** derivatives are negotiated privately between 2 parties and may be cleared through a clearing house
- EBITDA**
Earnings before interest, tax, depreciation and amortisation
- European Market Infrastructure Regulation (EMIR)**
European legislation on regulation of clearing of derivatives, and the operation and governance of CCPs and trade repositories
- ESOP**
Employee Share Option Plan
- ETC**
Exchange Traded Commodity – securities that provide exposure to a range of commodities and commodity indices
- ETF**
Exchange Traded Fund – low cost and flexible investments that track indices and sectors
- ETP**
Exchange traded products including ETFs and ETCs
- ELITE**
A programme in Italy and the UK and now extended to Europe which is aimed at providing support to fast growing SMEs, allowing them to boost their appeal and visibility to potential investors
- ELITE Connect**
An open access technology platform allowing public companies, Investor Relations professionals, institutional investors and brokers, amongst others, to efficiently engage in Investor Relations activity, manage local and worldwide IR relationships and discover global business opportunities
- EuroTLX**
The Group's 70% subsidiary which owns and operates a European MTF for the trading of fixed income securities in retail-size and investment products distributed to retail clients
- Exactpro**
The Group's subsidiary focused on functional and non-functional testing of securities data distribution, trading systems, risk management, market surveillance and post trade infrastructures
- FCA**
Financial Conduct Authority, the current regulator of conduct of providers of financial services in the UK and of UK trading venues such as Recognised Investment Exchanges (RIEs) and MTFs
- FTSE Group or FTSE**
FTSE International Limited and its subsidiaries, the Group subsidiary that is a leading global provider of index and analytics solutions
- FTSE 100 Index**
The index developed by FTSE of leading UK quoted companies
- FTSE MIB Index**
The index developed by FTSE of leading Italian quoted companies
- Frank Russell Company**
Acquired December 2014, comprises of 2 primary businesses: Russell Indexes and Russell Investment Management
- GATElab**
The Group's subsidiary provides advanced trading and connectivity solutions for global financial markets
- globeSettle**
The Group's Central Securities Depository in Luxembourg
- Group**
The Company and its Group Undertakings
- Group undertakings**
Group undertakings shall be construed in accordance with s1161 of the Companies Act 2006 and, in relation to the Company, includes London Stock Exchange plc, Borsa Italiana S.p.A. and FTSE International Limited, together with respective direct and indirect subsidiaries
- International Central Securities Depository (ICSD)**
An entity that enables international securities to be processed, settled and held in custody

IDEM

The Group's Italian Derivatives Market, trading contracts based on equities and related indices

IOB

International Order Book – the Group's electronic trading service for international securities

International Organisation of Securities Commission (IOSCO)

IOSCO sets out recommendations 'Principles for Financial Benchmarks', with the objective to address conflicts of interest in the benchmark-setting process, enhance the reliability of benchmark determinations, and promote transparency and openness

IPO

Initial Public Offering – the process whereby companies join our markets and raise capital for the first time

Latency

A measure of time delay experienced in a system, measured in milliseconds (1/1,000th of a second) or microseconds (1/1,000,000th of a second)

LCH.Clearnet or LCH.Clearnet Group

LCH.Clearnet Group Limited and its subsidiaries, the Group's 57.8% owned global clearing and risk management business

LSE

London Stock Exchange Plc

LSEG

London Stock Exchange Group Plc

Main Market

The market for companies which have been admitted to trading on the London Stock Exchange's principal market; and in Italy, the market for companies listed on Borsa Italiana's principal MTA market

MiFID or Markets in Financial Instruments Directive

EU Directive introduced in November 2007 to harmonise cross-border trading of equities, providing greater choice of trading venues. A revised MiFID and MiFIR (a directive and regulation) are now in the rule making stage with the EU Commission and ESMA

Millennium Exchange

MillenniumIT's multi-asset trading platform, deployed for the UK, Italian and Turquoise equities markets

MillenniumIT

Millennium Information Technologies Limited, the Group's subsidiary that is the developer of flexible, low cost, high performance trading platforms and financial markets software serving both the Group's own businesses and third parties

Monte Titoli

Monte Titoli S.p.A., the Group's Italian Central Securities Depository and settlement provider

MOT

Mercato Obbligazionario Telematico is the Group's Italian retail bond trading platform

MTA

Mercato Telematico Azionario is the Group's Italian electronic market on which shares, convertible bonds, warrants and option rights are traded

MTS

Società per il Mercato dei Titoli di Stato S.p.A., the Group's 60% subsidiary which owns and operates an electronic trading platform for European and US fixed income securities

Multilateral Trading Facility (MTF)

Alternative electronic trading systems as categorised under MiFID

ORB

The Group's UK Order Book for Retail Bonds

OTC

Over-the-counter trades in financial instruments executed outside a Regulated Market or MTF – see also Derivatives

Primary market

The listing of securities for the first time via an IPO or introduction of existing securities

Proquote

The Group's former financial market software and data services provider, disposal completed November 2015

Regulated Market

A multilateral system which brings together multiple third party buying and selling in financial instruments in accordance with rules, authorised under provisions of MiFID

Repo

Repurchase Agreement – the process of borrowing money by combining the sale and subsequent repurchase of an asset, traded through MTS and cleared through CC&G or LCH.Clearnet

RNS

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

RPI

The Retail Price Index which measures inflation in the UK economy

Secondary Market

The public market on which securities once issued are traded

SEDOL

The Group's securities identification service

SETS

The electronic order book operated by the London Stock Exchange for the trading of the most liquid securities

Smart Beta

An alternative index based methodology that seeks to enhance portfolio returns or reduce portfolio risk, or both. Smart beta indices have rules-based strategies designed to provide focused exposure to specific factors, market segments or investment strategies. These may include volatility indices, defensive and high dividend yield indexes, or a combination of fundamentals

SwapClear

LCH.Clearnet's OTC interest rate swap clearing service

TARGET2-Securities (T2S)

Initiative led by the European Central Bank to provide a platform for settlement of bonds and equities traded in the Eurozone

Turquoise

Turquoise Global Holdings Limited, the Group's 51% owned pan-European MTF equity trading subsidiary, a venture between the Group and 12 global investment bank clients

UnaVista

The Group's web-based matching, reconciliation and data integration engine that provides matching of post trade data in a simple, automated process and the Trade Repository approved by ESMA under EMIR

Overview of regulatory landscape

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

LSEG DIVISION AND BUSINESS AREA	LEGISLATION/MEASURE	SCOPE
Capital Markets		
Primary Markets	MiFID II/MiFIR Level 1 finalised; work on technical aspects, (Level 2) continues – expected implementation January 2018	– SME (Small and Medium-Sized Enterprises) Growth Market proposals to support SME funding and markets
	Proposal for a Prospectus Regulation	– Reduce administrative burdens and costs for companies already on regulated markets and SME Growth Markets who wish to raise further capital – Streamline capital raising for SMEs, frequent issuers and non-equity issuers – Promote more cross-border listing and investment – Support investors with more relevant and tailored information
Secondary (trading) Markets	Capital Markets Union	– Review regulatory barriers for SMEs to access capital markets funding, promoting capital markets as a competitive alternative to bank financing – Support for SME growth markets – Review functioning of corporate bond markets, increasing liquidity and lead to more electronic trading – Report on national barriers to the free movement of capital, leading to more capital raising and liquidity in markets – Adjustment to Solvency II and Capital Requirements Regulation to boost institutional investment in risk capital – Review progress in removing Giovannini barriers, leading to more efficient European post trade infrastructure – Strategy for providing technical assistance to Member States to support capital markets capacity, possibly extending LSEG ELITE programme – Review on efficiency and competitiveness of retail markets and development of pan-European pension product, designed to boost retail investment in capital markets
	MiFID II/MiFIR Level 1 finalised; work on technical aspects, (Level 2) continues – current implementation January 2018	– Non-discriminatory open access to trading venues and CCPs – Extension of pre and post trade transparency to non-equity asset classes, including bonds and derivatives – Increased regulatory requirements for high frequency trading strategies and algorithmic trading – Additional organisational, transparency and market surveillance requirements for trading venues – Platform trading obligation for shares and OTC derivatives
	MAD/MAR (political agreement reached at Level 1; work on technical aspects, Level 2 – under way)	– Index manipulation and expanded scope transactions and financial instruments
	Packaged Retail and Insurance-based Investment Products Regulation (PRIIPS) – 2017	– May require distribution of a key information document (KID) before the sale of any options or futures traded on LSEG markets, potential to result in exclusion of sale to retail investors. Further, market operators may be deemed product manufacturers under the secondary legislation and be obligated to produce the KID for exchange traded futures and options
	Bank Recovery and Resolution Directive (BRRD)– 2016	– Requires LSEG multilateral trading facilities (and post trade entities dually regulated as financial market infrastructures and banks) to meet BRRD recovery and resolution requirements, subjecting Group to supervisory controls in recovery and resolution of these entities
	Financial transaction tax (FTT) currently in effect in Italy and France. Commission proposal under negotiation, but UK not participating	– To impose transaction tax on equity, bond and derivatives trades that involve 1 financial institution with its headquarters in the EU FTT zone. (FTT may also impact LSEG CCPs if required by rules to register as collection agents.)

Post Trade		
CCPs	EMIR (Level 2 implementation in progress)	<ul style="list-style-type: none"> – Mandates CCP clearing for a wide range of eligible derivatives contracts – Establishes harmonised requirements for CCPs, so that they can demonstrate safety, soundness and efficiency
	EC regime for recovery and resolution for CCPs (awaiting Commission proposal)	<ul style="list-style-type: none"> – Commission likely to propose CCP recovery and resolution measures in Q1 2016 – May provide regulators with expanded powers to intervene at an early stage, including the power to require an entity to implement measures under its recovery plan – Authorities will also be provided with a wide range of resolution tools
	MiFID II/MiFIR Level 1 finalised; work on technical aspects, (Level 2) continues – expect implementation January 2018	<ul style="list-style-type: none"> – Trading venues should have non-discriminatory access to CCPs. CCPs should have non-discriminatory access to trading venues – CCPs shall ensure non-discriminatory treatment of contracts traded on any trading venue
Settlement Monte Titoli globeSettle	CSDR (Level 1 finalised; work on technical aspects, Level 2 – under way expect implementation 2018)	<ul style="list-style-type: none"> – Measures to harmonise: <ul style="list-style-type: none"> – the authorisation and operation of central securities depositories – certain aspects of securities settlement including settlement periods and settlement discipline
	T2S – 2015	<ul style="list-style-type: none"> – Monte Titoli signed the ECB's Framework Agreement, reconfirming its positioning in the 'first wave' of the project aimed at facilitating cheaper cross-border settlement across Europe – Monte Titoli migrated to T2S on 31 August 2015
UnaVista	EMIR – 2014	<ul style="list-style-type: none"> – Mandates the reporting of derivative trades to Trade Repositories – Establishes harmonised requirements Trade Repositories, so that they can demonstrate safety, soundness and efficiency
	Securities Financing Transaction Regulation (SFTR) – 2017	<ul style="list-style-type: none"> – Introduction of an EU requirement to report SFTs to a Trade Repository registered under EMIR: expands range of UnaVista reporting but applicable securities financing transactions cleared by LSEG CCPs and the SFTs in which they invest
	MiFID II/MiFIR Level 1 finalised; work on technical aspects, (Level 2) continues – expect implementation January 2018	<ul style="list-style-type: none"> – Introduction of more detailed regime for Approved Reporting Mechanisms (ARMs) – Increased scope of transaction reporting requirements across all equity and non-equity instruments
Information Services		
FTSE	Benchmark Regulation – expected 2018	<ul style="list-style-type: none"> – Regulated governance and controls standards for benchmark administration, in particular conflicts of interest management – Requirements on the quality of the input data and methodologies – Rules to ensure that contributors to benchmarks are subject to adequate controls, and, where necessary, mandatory contribution
	MiFID II/MiFIR Level 1 finalised; work on technical aspects, (Level 2) continues – currently expect implementation January 2018	<ul style="list-style-type: none"> – Open Access under MiFIR Art 37 requires non-exclusive licensing of benchmarks
Market data	MiFID II/MiFIR Level 1 finalised; work on technical aspects, (Level 2) continues – expect implementation January 2018	<ul style="list-style-type: none"> – Introduction of Approved Publication Arrangements (APAs) for OTC trade reports – Introduction of requirements for harmonised post trade data reporting to enable consolidated tape (CT) – Market data provision on a 'reasonable commercial basis', disaggregated data feeds and non-discriminatory pricing

Financial calendar (Provisional)

AGM	27 April 2016
Q1 Interim Management Statement (revenues only)	27 April 2016
Ex-dividend date for final dividend	5 May 2016
Final dividend record date	6 May 2016
Final dividend payment	1 June 2016
Half year end	30 June 2016
Interim Results	August 2016
Financial year end	31 December 2016
<hr/>	
Preliminary Results	March 2017

The financial calendar is updated on a regular basis throughout the year.

Please refer to our website: www.lseg.com/investor-relations and click on the shareholder services section for up-to-date details.

The Group's AGM for the 12 months ended 31 December 2015 will be held on 27 April 2016 at Banking Hall, 14 Cornhill, London EC3V 3ND starting at 10.00am.

Investor Relations

Shareholder services

Equiniti registrars Shareview service

Shareholders who hold London Stock Exchange Group shares in certificated form or within an Equiniti Investment Account or ISA can access Shareview. Shareview is a free service provided by our registrars, Equiniti. It may be accessed through the internet at: www.shareview.co.uk.

By creating a Shareview portfolio, you will gain online access to information about your London Stock Exchange Group shares and other investments including:

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

To register at Shareview you will need your shareholder reference (which can be found on your share certificate) and you will be asked to select your own personal identification number. A user ID will then be posted to you.

If you have any problems in registering your portfolio for the Shareview service, contact Equiniti on 0371 384 2544. For calls from outside the UK, contact Equiniti on +44 (0)121 415 7047. Please note that you should only use electronic addresses included in this Annual Report for the purposes expressly stated.

Group's share price service

To obtain share price information for London Stock Exchange Group plc, see our website at: www.lseg.com.

By clicking on the Investor Relations tab, you will find the Company's share price, historical closing prices and volumes and an interactive share price graph.

Substantial Shareholders

As at 4 March 2016, the Company had been notified of the following interests amounting to more than 3% in the issued share capital of the Company in accordance with DTR 5 of the FCA's Disclosure and Transparency Rules:

Qatar Investment Authority	10.3%
Blackrock, Inc	6.9%
Invesco Limited	6.0%
Veritas Asset Management LLP	3.0%

Investor Relations contacts

Investor Relations

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For enquiries relating to shareholdings in London Stock Exchange Group plc:

Shareholder helpline: +44 (0)20 7797 3322
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Visit the Investor Relations section of our website for up-to-date information including the latest share price, announcements, financial reports and details of analysts and consensus forecasts: www.lseg.com/investor-relations.

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www.shareview.co.uk

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Turquoise is a registered trade mark of Turquoise Global Holdings Limited.

SwapClear, ForexClear and CDSClear are registered trade marks of LCH.Clearnet Limited. LCH.Clearnet is a trade mark of LCH.Clearnet Limited.

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London
Stock Exchange Group

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