



London
STOCK EXCHANGE

Interim Report

SIX MONTHS ENDED 30 SEPTEMBER 2004



Cover photograph: view from our former location, Old Broad Street, looking towards our new offices at Paternoster Square

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Chairman's statement

The Exchange has made a satisfactory start to the financial year, generating good top line growth in market conditions that remain mixed. Issuer Services benefited from an increased number of new issues on its markets, particularly on AIM, though this was offset by the effect of lower tariffs introduced at the start of the year. Broker Services continued to see growth on the SETS electronic order book, as market trading activity remained strong, although the number of off book trades reduced. In Information Services, the number of terminals taking real time Exchange data has remained stable.

The competitive exchange landscape in Europe continues to evolve, prompted by, among other factors, EU legislation moving us closer to harmonised markets for securities trading and integration of European clearing and settlement organisations. Anticipating the opportunities presented by such changes, the Exchange continues to configure appropriate market offerings to ensure our services meet customers' evolving demands. Through close customer relationships, a preferred market structure, strong brand and our position in London – Europe's largest equity market – we remain well positioned in this changing environment.

FINANCIAL RESULTS

Unless otherwise stated, all figures below refer to the six months ended 30 September 2004. Comparative figures are for the corresponding period last year, restated where relevant for effects of change in accounting policy (adoption of UITF Abstract 38 Accounting for ESOP trusts and UITF 17, revised) relating to the charge for share awards.

The Exchange delivered a steady financial performance in the first six months of the year. Gross turnover increased five per cent to £125.8 million (2003: £119.6 million) while operating costs rose 10 per cent to £80.1 million (2003: £72.7 million) reflecting increased depreciation, a full six months for EDX London and effects of the move to new offices.



Chris Gibson-Smith
Chairman

This led to a six per cent decline in operating profit before goodwill amortisation to £39.1 million (2003: £41.4 million).

During the period the Exchange completed its move to new offices at Paternoster Square. Coinciding with this move, the Exchange completed the disposal of the Tower, recognising an exceptional gain of £5.0 million.

Earnings per share rose seven per cent to 12.2 pence per share from 11.4 pence per share. Adjusted earnings per share, excluding exceptional items and goodwill amortisation, of 10.7 pence per share were in-line with last year (2003: 10.7 pence per share).

Earnings per share reflected a reduction in the weighted average number of shares in the period to 284.5 million (2003: 292.4 million), arising from the share consolidation that accompanied the special dividend.

For the half year, operating cash flows were £59.0 million, up eight per cent (2003: £54.8 million). At 30 September 2004, cash balances were £117.7 million (31 March 2004: £227.9 million) reflecting the cash inflow from operating activities and receipt of part of the proceeds from the Tower disposal (£33.8 million), reduced by payment of the 55 pence per share special dividend approved at the AGM (£162.5 million) and capital expenditure (£26.2 million), including spend on new offices at Paternoster Square.

ISSUER SERVICES

Contributing 13 per cent to total turnover, Issuer Services' revenue decreased 11 per cent for the half year to £16.3 million (2003: £18.4 million). This reduction primarily reflects tariff changes introduced in April 2004, offset in part by increased new issue activity during the period. The effect of the tariff changes was most significant on Annual fees, the charge to companies listed on our markets, which accounted for 53 per cent of Issuer Services' turnover (2003: 59 per cent).

For the first six months of the financial year there were 214 new issues on the Exchange's markets, an increase of 120 over the same time last year (2003: 94). New issues on the Main Market increased from 18 to 30, though the average market value of the companies was smaller than last year. In total, new and further issues raised £9.4 billion of new capital (2003: £10.2 billion) in the period. Overall, the attractiveness of the Exchange's markets is reflected in the 78 per cent share of IPOs in Western Europe (2003: 87 per cent). At 30 September 2004 the number of companies on our markets was 2,765 (2003: 2,692).

AIM, our international market for smaller, growing companies, was particularly successful in attracting companies to its market with 184 joining in the first half of the financial year. At 30 September 2004 the number of companies traded on AIM increased to 936 (2003: 718), of which 94 are international companies, drawn from 13 countries. There has been success in attracting companies from Australia and Canada, particularly mining and oil and gas sector stocks.

BROKER SERVICES

Broker Services' turnover for the half year increased 11 per cent to £48.3 million (2003: £43.7 million), accounting for 38 per cent of total turnover.

During the period, the total number of equity bargains rose 12 per cent to 31.0 million (2003: 27.6 million), a daily average of 246,000 bargains (2003: 219,000). In the same period, the daily average number of bargains traded on SETS, the electronic order book, increased 23 per cent to 155,000 (2003: 126,000) with the average value of a SETS bargain unchanged at £22,000 (2003: £22,000). Trading on the electronic order book was boosted by inclusion of SETSm, which trades mid-cap securities on a hybrid market structure. SETSm averaged 13,000 bargains per day and has helped drive increased liquidity in the stocks traded.

During the half year, the SETS order book contributed approximately 66 per cent of Broker Services' income (2003: 62 per cent), with over 62 per cent of eligible trades (by value) executed on the electronic order book (2003: 62 per cent).

The total value of equity bargains for the period increased 22 per cent to £2.2 trillion (2003: £1.8 trillion), the rise reflecting the increase in order book trading and an increase in the number of international bargains which rose to an average 45,000 bargains per day (2003: 38,000). The overall value of off book bargains also increased though the daily average number of off book bargains fell to 46,000 (2003: 55,000).

In May 2004, the Exchange launched its EUROSETS Dutch Trading Service, trading Dutch securities on the SETS electronic order book. Since launch market share has averaged two per cent.

INFORMATION SERVICES

For the half year Information Services' revenue rose seven per cent to £53.8 million (2003: £50.2 million), contributing 43 per cent of total turnover.

At 90,000, the number of terminals taking the Exchange's real time market data remained unchanged from the same point last year (2003: 90,000). Of this total, approximately 80,000 terminals were attributable to professional users, level with the number at the end of the last financial year and only slightly down on the comparable period (2003: 81,000).

Operating in an increasingly competitive market sector, Proquote, the Exchange's provider of financial market software and data, increased the number of installed screens to 2,300 (2003: 1,500).

RNS, the Exchange's financial communications service, contributed £3.6 million to Information Services' turnover (2003: £3.6 million). With over 90 companies in the FTSE 100 using the Exchange to release regulatory announcements in the half year, RNS has maintained significant share of the regulatory news distribution market.

FTSE, the Exchange's joint venture, continued to perform well. For the six months, the Exchange's share of FTSE turnover was £7.5 million, an increase of 21 per cent over the corresponding period last year (2003: £6.2 million).

SEDOL Masterfile, the extension to the Exchange's securities numbering service was launched in March 2004, providing unique identification for securities on a global basis. SEDOL has been well received with almost 900 licences signed for the use of this new service.

DERIVATIVES SERVICES

Derivatives Services contributed revenues of £3.6 million in the half year (three months to September 2003: £1.7 million), principally from EDX London, the Exchange's joint owned equity derivatives business. During the period EDX traded a total of 9.2 million contracts (three months to September 2003: 3.7 million). Development of services for the over the counter equity derivatives market continues.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2.0 pence per share (2003/4: interim 1.4 pence per share; final 3.4 pence per share). This reflects the Directors' intention to rebalance interim dividends to approximately one third of total annual dividend per share and the Exchange's continuing progressive dividend policy. The interim dividend will be paid to those shareholders on the register on 10 December 2004, for payment on 7 January 2005.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Exchange is well advanced in its preparations for reporting under International Financial Reporting Standards (IFRS) with effect from the 2005/06 financial year. The first full reporting under IFRS will be the Interim results for the six months ending 30 September 2005, together with restated information for the six months ending 30 September 2004.

BOARD OF DIRECTORS

Ian Salter and Michael Marks, after nearly 18 and 10 years' service as non-executive Directors respectively, stepped down from the Board at the AGM in July. Both Directors made substantial contributions and the Exchange is grateful for their valuable counsel through a period of significant change for the business.

CURRENT TRADING

Current trading conditions remain consistent with trends seen in the first six months of the year, with improvement in new issue activity seen mostly on the lower yielding AIM market, and with terminal numbers broadly unchanged. SETS continues to perform well although in the second half of the year the rate of growth will be viewed against strong trading performances in the previous comparable period. Overall, we remain confident of a satisfactory performance for the remainder of the financial year.



Chris Gibson-Smith
Chairman
11 November 2004

Consolidated profit and loss account

Six months ended 30 September 2004

Continuing operations	Notes	Six months ended 30 September		Year ended
		2004 £m	2003 £m As restated	31 March 2004 £m As restated
Turnover				
Group and share of joint venture		125.8	119.6	250.4
Less: share of joint venture's turnover		(7.5)	(6.2)	(13.3)
Net turnover				
Administrative expenses	2	118.3	113.4	237.1
		(80.1)	(72.7)	(155.8)
Operating profit				
Before goodwill amortisation		39.1	41.4	82.9
After goodwill amortisation		38.2	40.7	81.3
Share of operating profit of joint venture and income from other fixed asset investments		0.9	0.7	1.4
Total operating profit – Group and share of joint venture				
Profit on disposal of Stock Exchange Tower	3	5.0	–	–
Net interest receivable	4	4.1	3.0	6.1
Profit on ordinary activities before taxation				
Taxation on profit on ordinary activities	5	48.2	44.4	88.8
		(13.7)	(11.2)	(25.7)
Profit on ordinary activities after taxation				
Minority interests		34.5	33.2	63.1
		0.3	0.1	0.3
Profit for the financial period				
Dividends	6	34.8	33.3	63.4
		(167.6)	(4.1)	(14.1)
Transfer (from)/to reserves for the financial period				
		(132.8)	29.2	49.3
Earnings per share				
Earnings per share	7	12.2p	11.4p	21.6p
Diluted earnings per share	7	12.1p	11.3p	21.4p
Adjusted earnings per share	7	10.7p	10.7p	21.2p
Dividend per share (excludes special dividend)		2.0p	1.4p	4.8p
Statement of total recognised gains and losses				
Profit for the financial period		34.8	33.3	63.4
Other recognised gains and losses for the financial period				
Prior year adjustment (see note 1)	1	(0.6)	–	–
Total gains and losses recognised since last Annual Report				
		34.2	33.3	63.4

Consolidated balance sheet

30 September 2004

	Notes	30 September 2004 £m	2003 £m As restated	31 March 2004 £m As restated
Fixed assets				
Intangible assets	8	29.5	27.3	24.3
Tangible assets	9	115.2	137.0	168.3
		144.7	164.3	192.6
Investments				
Investments in joint venture		1.7	1.9	1.5
Other investments		0.4	0.4	0.4
		2.1	2.3	1.9
		146.8	166.6	194.5
Current assets				
Debtors	10	91.5	66.7	61.1
Investments – term deposits		111.0	219.0	223.0
Cash at bank		6.7	6.6	4.9
		209.2	292.3	289.0
Creditors – amounts falling due within one year		76.1	72.4	78.9
Net current assets		133.1	219.9	210.1
Total assets less current liabilities				
		279.9	386.5	404.6
Creditors – amounts falling due after more than one year		0.5	0.5	0.5
Provisions for liabilities and charges	11	43.9	41.8	38.4
Net assets		235.5	344.2	365.7
Capital and reserves				
Called up share capital	12	14.9	14.9	14.9
Reserves				
Revaluation reserve	13	2.3	43.0	42.1
Profit and loss account	13	217.6	285.6	307.7
Equity shareholders' funds				
Equity minority interest	14	0.7	0.7	1.0
Total shareholders' funds		235.5	344.2	365.7

Consolidated cash flow statement

Six months ended 30 September 2004

	Notes	Six months ended 30 September 2004 £m	2003 £m As restated	Year ended 31 March 2004 £m As restated
Net cash inflow from continuing operations:				
Net cash inflow from operating activities	16(i)	59.0	54.8	105.4
Dividends from joint venture		1.3	0.7	0.7
Returns on investments and servicing of finance				
Interest received		5.7	3.2	7.3
Dividends received		0.1	0.1	0.1
Net cash inflow from returns on investments and servicing of finance		5.8	3.3	7.4
Taxation				
Corporation tax paid		(11.7)	(8.6)	(22.2)
Capital expenditure and financial investments				
Payments to acquire tangible fixed assets		(26.2)	(18.3)	(54.2)
Receipts from disposal of Stock Exchange Tower		32.9	–	–
Net cash inflow/(outflow) from capital expenditure and financial investments		6.7	(18.3)	(54.2)
Acquisitions				
Acquisition of subsidiary undertaking		–	(14.0)	(15.5)
Dividends paid		(172.5)	(8.8)	(12.9)
Net cash (outflow)/inflow before use of liquid resources and financing				
		(111.4)	9.1	8.7
Management of liquid resources				
Decrease/(increase) in term deposits	16(ii)	112.0	(12.0)	(16.0)
Financing				
Issue of ordinary share capital to minority interest		–	0.6	1.1
Loans received from minority shareholder				
due within one year		0.3	3.2	2.9
due after one year		–	0.5	0.5
(Redemption)/issue of loan notes		(1.5)	–	1.5
Own shares on exercise of employee share options		2.4	1.2	2.2
Increase in cash in the period	16(ii)	1.8	2.6	0.9

Notes to the financial information

1. Basis of preparation

Basis of accounting and consolidation

The interim financial information is prepared in accordance with applicable UK accounting standards under the historical cost convention modified by the revaluation of certain fixed assets. The interim financial information is prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 March 2004, except in respect of the treatment of shares held by the ESOP trust, as described below, and is unaudited. The interim financial information does not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.

Comparative figures for the year ended 31 March 2004 are an abridged version of the Group's full accounts which carried an unqualified audit report and have been delivered to the Registrar of Companies.

Change in accounting policy

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

Prior year adjustment

The change in accounting policy outlined above results in a reduction to investments and equity shareholders' funds at 31 March 2004 of £6.4m (30 September 2003: £7.5m). Profit for the financial year ended 31 March 2004 is reduced by £0.3m (six months to 30 September 2003: £0.3m). Profit for earlier financial years is reduced by £0.3m resulting in a total adjustment to profit of £0.6m, which is recorded in the statement of total recognised gains and losses. The cash flow statement has been restated to show the exercise of share options within Financing.

2. Turnover

	Six months ended 30 September 2004 £m	2003 £m	Year ended 31 March 2004 £m
Continuing operations			
Issuer Services	16.3	18.4	38.5
Broker Services	48.3	43.7	94.1
Information Services	53.8	50.2	101.0
Derivatives Services	3.6	1.7	6.1
Other income	3.8	5.6	10.7
Gross turnover			
Less: share of joint venture's turnover	(7.5)	(6.2)	(13.3)
Net turnover	118.3	113.4	237.1

Notes to the financial information

3. Profit on disposal of Stock Exchange Tower

	Six months ended 30 September		Year ended 31 March
	2004 £m	2003 £m	2004 £m
Proceeds receivable from disposal	64.2	–	–
Book value and disposal costs	59.2	–	–
Profit on disposal	5.0	–	–

No taxation is payable on the disposal as indexed base cost for tax purposes exceeds disposal proceeds.

4. Net interest receivable

	Six months ended 30 September		Year ended 31 March
	2004 £m	2003 £m	2004 £m
Interest receivable			
Bank deposit and other interest	5.1	3.8	8.0
Interest payable			
Interest on discounted provision for leasehold properties	(0.9)	(0.8)	(1.7)
Interest payable on other loans	(0.1)	–	(0.2)
Total	(1.0)	(0.8)	(1.9)
Net interest receivable	4.1	3.0	6.1

5. Taxation

	Six months ended 30 September		Year ended 31 March
	2004 £m	2003 £m	2004 £m
Current tax:			
Corporation tax for the period at 30%	12.7	13.7	25.7
Adjustments in respect of previous periods	–	(3.1)	(3.6)
Joint venture	0.2	0.2	0.4
	12.9	10.8	22.5
Deferred taxation	0.8	0.4	3.2
Taxation charge	13.7	11.2	25.7

The adjustments in respect of previous periods for corporation tax were for tax assessments now agreed with the Inland Revenue.

Factors affecting the current tax charge for the period

The current tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2003: 30%). The variations are explained below:

	Six months ended 30 September		Year ended 31 March
	2004 £m	2003 £m	2004 £m
		As restated	As restated
Profit on ordinary activities before tax	48.2	44.4	88.8
Profits on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	14.5	13.3	26.6
Expenses disallowed for the purpose of tax provision (primarily professional fees and depreciation on expenditure not subject to capital allowances)	0.7	1.1	2.9
Accounting deduction less than taxation allowance – timing differences	(0.8)	(0.5)	(3.4)
Surplus on disposal of Stock Exchange Tower (see note 3)	(1.5)	–	–
Adjustments to tax charge in respect of previous periods	–	(3.1)	(3.6)
Corporation tax charge	12.9	10.8	22.5

Factors that may affect future tax charges

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

Notes to the financial information

6. Dividends

	Six months ended 30 September		Year ended 31 March
	2004	2003	2004
	£m	£m	£m
Special interim dividend paid – 55p per Ordinary share	162.5	–	–
Interim dividend – 2.0p (2003: 1.4p) per Ordinary share	5.1	4.1	4.1
Final dividend – 3.4p per Ordinary share	–	–	10.0
Total	167.6	4.1	14.1

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

7. Earnings per share

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

	Six months ended 30 September		Year ended 31 March
	2004	2003	2004
	£m	£m	£m
		As restated	As restated
Earnings per share	12.2p	11.4p	21.6p
Diluted earnings per share	12.1p	11.3p	21.4p
Adjusted earnings per share	10.7p	10.7p	21.2p
Profit for the financial period	34.8	33.3	63.4
Adjustments:			
Amortisation of goodwill	0.9	0.7	1.6
Profit on disposal of Stock Exchange Tower	(5.0)	–	–
Tax effect of amortisation of goodwill	(0.1)	(2.8)	(2.9)
Minority interest goodwill and taxation	(0.1)	–	(0.1)
Adjusted profit for the financial period	30.5	31.2	62.0
Weighted average number of shares – million	284.5	292.4	293.0
Effect of dilutive share options and awards – million	2.0	2.6	2.7
Diluted weighted average number of shares – million	286.5	295.0	295.7

The weighted average number of shares excludes those held in the ESOP, reducing the weighted average number of shares to 284.5m (September 2003: 292.4m; March 2004: 293.0m).

As described in note 6, during the period the Company paid a special interim dividend of 55p per share and at the same time carried out a consolidation of its share capital (see note 12). These transactions have the same overall effect on the Company's capital structure as a buyback of shares and, in accordance with FRS 14 Earnings Per Share, earnings per share for prior periods have not been restated.

8. Intangible assets

Goodwill
£m

Cost:	
1 April 2004	26.0
Recognition of deferred consideration	6.1
30 September 2004	32.1
Amortisation:	
1 April 2004	1.7
Charge for the period	0.9
30 September 2004	2.6
Net book value:	
30 September 2004	29.5

9. Tangible assets

During the period tangible assets reduced from £168.3m to £115.2m, reflecting additions of £16.8m, primarily for new system developments and completion of Paternoster Square fitout, depreciation of £14.4m and disposals of £55.5m, reflecting primarily the disposal of the Stock Exchange Tower.

10. Debtors

	30 September 2004 £m	2003 £m	31 March 2004 £m
Trade debtors	14.4	20.2	16.4
Amounts owed by joint venture	–	–	0.9
Deferred consideration on disposal of Stock Exchange Tower – due December 2005	30.9	–	–
Other debtors	1.7	2.2	1.9
Prepayments and accrued income	41.9	38.1	38.5
Deferred taxation	2.6	6.2	3.4
	91.5	66.7	61.1

Notes to the financial information

11. Provisions for liabilities and charges

	Property £m	Deferred consideration £m	Total £m
1 April 2004	38.4	–	38.4
Utilised during the period	(1.5)	–	(1.5)
Deferred consideration recognised	–	6.1	6.1
Interest on discounted provision	0.9	–	0.9
30 September 2004	37.8	6.1	43.9

Property

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between 10 and 24 years to expiry.

Deferred consideration

Deferred consideration relates to the equity derivatives business acquired from OM London Exchange. The deferred consideration has been estimated at £6.1m and can be up to a maximum of £11.2m, payable by March 2006.

12. Share Capital

		30 September 2004 £m	2003 £m	31 March 2004 £m
Authorised				
Ordinary shares of 5p each	– number	–	500,000,000	500,000,000
New Ordinary shares of 5 5/6p each	– number	428,571,428	–	–
	– £	25,000,000	25,000,000	25,000,000
Issued, called up and fully paid				
Ordinary shares of 5p each	– number	–	297,000,000	297,000,000
New Ordinary shares of 5 5/6p each	– number	254,571,428	–	–
	– £	14,850,000	14,850,000	14,850,000

Following approval by shareholders at the AGM in July 2004, every seven existing 5p Ordinary shares were replaced with six New Ordinary shares of 5 5/6p each, with effect from 26 July 2004.

13. Reserves

	Revaluation £m	Profit and loss account £m	Total £m
31 March 2004 as previously stated	42.1	314.1	356.2
Prior year adjustment (see note 1)	–	(6.4)	(6.4)
1 April 2004 restated	42.1	307.7	349.8
Profit for the period	–	34.8	34.8
Dividends	–	(167.6)	(167.6)
Transfer, representing the revaluation reserve for the Stock Exchange Tower on disposal	(39.8)	39.8	–
Employee share schemes and own shares	–	2.9	2.9
30 September 2004	2.3	217.6	219.9

14. Equity minority interest

	2004 £m
1 April 2004	1.0
Share of losses of subsidiary undertaking	(0.3)
30 September 2004	0.7

15. Reconciliation of movements in shareholders' funds

	Six months ended 30 September 2004 £m	2003 £m As restated	Year ended 31 March 2004 £m As restated
Profit for the financial period	34.8	33.3	63.4
Dividends	(167.6)	(4.1)	(14.1)
	(132.8)	29.2	49.3
Movement in respect of own shares – held by the ESOP trust (see note 1)	2.9	2.5	3.6
	(129.9)	31.7	52.9
Net (reduction)/addition to shareholders' funds	(129.9)	31.7	52.9
Opening equity shareholders' funds (as restated)	364.7	311.8	311.8
Closing equity shareholders' funds	234.8	343.5	364.7

Notes to the financial information

16. Notes to the consolidated cash flow statement

	Six months ended 30 September 2004 £m	2003 £m As restated	Year ended 31 March 2004 £m As restated
i) Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	38.2	40.7	81.3
Depreciation of tangible assets	14.4	10.7	21.9
Amortisation of goodwill	0.9	0.7	1.6
Profit on disposal of fixed assets	–	(0.1)	–
(Increase)/decrease in debtors	(2.4)	(2.9)	0.7
Increase in creditors	8.9	5.6	0.4
Provisions utilised during the period	(1.5)	(0.6)	(1.3)
Share scheme expense	0.5	0.7	0.8
Net cash inflow from operating activities	59.0	54.8	105.4
	At 1 April 2004 £m	Cash flows £m	At 30 September 2004 £m
ii) Analysis of changes in net funds			
Cash in hand and at bank	4.9	1.8	6.7
Debt due within one year	(4.4)	1.2	(3.2)
Debt due after more than one year	(0.5)	–	(0.5)
Current asset investments	223.0	(112.0)	111.0
Total net funds	223.0	(109.0)	114.0

Independent review report to London Stock Exchange plc

INTRODUCTION

We have been instructed by the Company to review the financial information which comprises the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our consent in writing.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2004.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
11 November 2004

Financial calendar

Ex-dividend date for interim dividend	8 December 2004
Interim dividend record date	10 December 2004
Interim dividend payment date	7 January 2005
Q3 trading statement (revenues only)	27 January 2005
Financial year end	31 March 2005
Preliminary results	May 2005
Annual General Meeting	July 2005

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

Investor Relations Contacts

For questions or requests for information about London Stock Exchange plc, please contact:

LONDON STOCK EXCHANGE

Attn: Investor Relations
10 Paternoster Square
London EC4M 7LS
Email irinfo@londonstockexchange.com
Shareholder helpline +44 (0)20 7797 3322
Website www.londonstockexchange-ir.com

REGISTRAR INFORMATION

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
Telephone 0870 600 3964 or +44 (0)121 415 7047
Website www.lloydtsb-registrars.co.uk



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

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