5 March 2021

LONDON STOCK EXCHANGE GROUP PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Unless stated otherwise, all figures in the highlights below refer to 12 months to 31 December 2020 and comparisons with the prior 12 month period on the same basis.

- Strong financial performance – revenue growth continues across our businesses despite challenging market conditions

- Strong operational resilience across the Group's data, trading and clearing platforms

- Successful completion of the acquisition of Refinitiv in January 2021 - transformational transaction brings together two highly complementary global businesses with a shared commitment to an Open Access philosophy, working in partnership with customers

- Acquisition will accelerate the Group's growth strategy and position as a leading global financial markets infrastructure and data provider - increasing its global footprint and adding leading data, analytics and multi-asset class capital markets capabilities

- The Group is focused on delivering the strategic benefits of the transaction for customers, shareholders and broader stakeholders - extensive integration programme roll-out underway across the three core operating divisions: Data & Analytics, Capital Markets, and Post Trade

2020 Financial Highlights

- Total revenue up 3% to £2,124 million (2019: £2,056 million) and total income up 6% to £2,444 million (2019: £2,314 million) (up 5% on a constant currency basis)

- FTSE Russell revenue up 3% to £668 million (2019: £649 million) with growth in subscription revenues offset by a decline in asset-based revenues following significantly lower ETF AUM levels in H1

- Post Trade revenue up 7% to £751 million (2019: £700 million), driven by strong growth in LCH; record activity in CDS, FX and cash equities clearing; total income up 12% to £1,070 million (2019: £955 million), largely reflecting higher cash margin held

- Capital Markets revenue broadly flat on a reported basis at £427 million, and up 8% on a like-for-like basis excluding the one-off benefit of an IFRS 15 adjustment in prior year with strong performance in secondary markets

- Adjusted operating expenses, before depreciation and amortisation[1], were up 6% (up 5% on a constant currency basis) to £887 million (2019: £839 million)

- Adjusted operating profit[2] up 5% to £1,118 million (2019: £1,065 million); operating profit up 2% to £755 million (2019: £738 million); adjusted EBITDA[2] up 5% to £1,329 million (2019: £1,265 million) and EBITDA margin of 54.4%

- Adjusted EPS[2] up 5% to 209.7 pence (2019: 200.3 pence); basic EPS up 1% to 120.3 pence (2019: 119.5 pence)

- Proposed final dividend of 51.7 pence per share, resulting in a 7% increase in the full year dividend to 75.0 pence per share, reflecting good performance and confident outlook for the new Group

Continued organic and inorganic development, including:

- FTSE Russell index selected by BlackRock for the first climate risk-adjusted Government Bond ETF utilising the FTSE Advanced Climate EGBI
- FTSE Russell signed long-term expanded index derivative agreements with Cboe Global Markets and Singapore Stock Exchange
- LCH continued leadership on global reference rate reform - the transition to SOFR discounting saw US$120 trillion in notional transitioning to the risk-free rate in October 2020. LCH also became the first clearing house to offer Singapore Dollar swaps benchmarked to SORA
- ForexClear became the first service to launch clearing for non-deliverable FX options across nine currency pairs
- Over £718 billion raised on our fixed income markets of which £75 billion raised through Covid-19 response bonds
- China Yangtze Power Co. raised US$1.83 billion through Shanghai-London Stock Connect, the first Chinese issuer to receive London Stock Exchange's Green Economy Mark, highlighting London's position as an international centre for sustainable finance

[1] *Before depreciation, amortisation and non-underlying items.*
[2] *Before amortisation of purchased intangible assets and non-underlying items.*

Commenting on performance for the year, David Schwimmer, Chief Executive Officer, LSEG:

"The Covid-19 pandemic and broader geo-political events presented unprecedented challenges in 2020. Despite this environment, and with the vast majority of employees working remotely across our global locations, LSEG has delivered for its customers and provided a strong financial performance, demonstrating strong operational resilience. We continue to innovate and work in partnership with our customers to develop our services, in areas such as reference rate reform and sustainable investment.

“Completion of the acquisition of Refinitiv in early 2021 marked an important milestone in LSEG’s history. This transformational transaction brings together two highly complementary global businesses with a shared commitment to Open Access. LSEG is now truly global with a significant presence in North America, Europe, Asia and emerging markets, bringing together exceptional skills and experience at scale. While early days, the work we have done so far confirms the quality of the business and the extent of the opportunities across the Group as we focus on integration and delivering the strategic and financial benefits of the transaction to our customers, shareholders and other stakeholders. LSEG is well positioned for long-term sustainable growth in a continually evolving landscape as a leading global financial markets infrastructure and data provider.”

Financial Summary

Unless otherwise stated, all figures below refer to continuing operations for the year ended 31 December 2020. Comparative figures are for continuing operations for the year ended 31 December 2019. Variance is also provided on an organic and constant currency basis.

Continuing operations	Twelve months ended 31 December 2020 £m	2019 £m	Variance %	Organic and constant currency variance [1] %
Revenue				
Information Services[1]	**882**	855	3%	3%
Post Trade	**751**	700	7%	7%
Capital Markets	**427**	426	0%	(0%)
Technology	**61**	66	(7%)	(7%)
Other revenue	**3**	9	-	-
Total revenue	**2,124**	2,056	3%	3%
Net treasury income through CCP businesses	**319**	255	25%	24%
Other income	**1**	3	-	-
Total income	**2,444**	2,314	6%	5%
Cost of sales	**(224)**	(210)	7%	6%
Gross profit	**2,220**	2,104	6%	5%
Adjusted operating expenses before depreciation, amortisation and impairment	**(887)**	(839)	6%	5%
Underlying depreciation, amortisation and impairment	**(211)**	(200)	5%	5%
Adjusted operating expenses	**(1,098)**	(1,039)	6%	4%
Income from equity investments	**-**	7	-	-
Share of loss after tax of associates	**(4)**	(7)	-	-
Adjusted operating profit [2]	**1,118**	1,065	5%	6%
Add back underlying depreciation, amortisation and impairment	**211**	200	5%	5%
Adjusted earnings before interest, tax, depreciation, amortisation and impairment [2]	**1,329**	1,265	5%	5%

Amortisation and impairment of purchased intangible assets and goodwill and non-underlying items	**(363)**	(327)	11%	11%
Operating profit	**755**	738	2%	3%
Earnings per share				
Basic earnings per share (p)	**120.3**	119.5	1%	
Adjusted basic earnings per share (p) [2]	**209.7**	200.3	5%	
Dividend per share (p)	**75.0**	70.0	7%	

The Group's principal foreign exchange exposure arises from translating and revaluing its foreign currency earnings, assets and liabilities into LSEG's reporting currency of Sterling.

[1]*Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Beyond Ratings.*

[2]*Before amortisation of purchased intangible assets and non-underlying items.*

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Further information

The Group will host a presentation and conference call on its Preliminary Results for analysts and institutional shareholders today at 09:00am (GMT). On the call will be David Schwimmer (Chief Executive Officer), Anna Manz (Chief Financial Officer) and Paul Froud (Group Head of Investor Relations).

To access the telephone conference call or audio-only webcast please pre-register in advance using the following link and instructions below:

https://www.lsegissuerservices.com/spark/LondonStockExchangeGroup/events/4b5831b0-bf11-4b71-9750-e9a396d225e9

- Please register with your full name, company name and email address
- **If you wish to participate in Q&A then you will also need to register for the telephone conference call. The telephone conference registration link can be found in the link above.**

Presentation slides can be viewed at http://www.lseg.com/investor-relations

For further information, please call the Group's Investor Relations team on +44 (0)20 7797 3322.

The information in the preliminary announcement of the results for the year ended 31 December 2020, which was approved by the Board of Directors on 5 March 2021, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The financial statements for the year ended 31 December 2019 were filed with the Registrar of Companies, and the audit report was unqualified and contained no statements in respect of Sections 498 (2) and 498 (3) of the UK Companies Act 2006. The financial statements for the year ended 31 December 2020 will be filed with the Registrar of Companies in due course.

In accordance with the Listing Rules of the UK Listing Authority, these preliminary results have been agreed with the Company's auditors, Ernst &Young LLP, and the Directors have not been made aware of any likely modification to the auditor's report to be included in the Group's Annual Report and Accounts for the year ended 31 December 2020.

The preliminary results have been prepared on a basis consistent with the accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 December 2020.

CEO's statement

The Covid-19 pandemic and broader geopolitical events presented unprecedented challenges in 2020. Throughout, LSEG has been focused on ensuring the welfare of our employees and continuity of services to our customers. Our systemic role has perhaps never been clearer: maintaining access to our capital markets; managing risk through our clearing operations; and providing important information services to market participants.

Despite this unparalleled environment, and with the vast majority of employees working remotely across our global locations, LSEG has delivered a strong financial performance and demonstrated strong operational resilience. The Group also remains highly cash generative. As our financial performance demonstrates, our focus on product and service development is delivering results across our businesses. Our Open Access and Customer Partnership approach remains key to our strategy as we work with customers to innovate in a range of areas, from reference rate reform to sustainable investment. We have also continued to invest in our business as we grow, while remaining focused on efficiency and operational excellence to maintain and enhance our resiliency, deliver system scalability and support our growing global footprint. For example, LCH successfully implemented a new clearing platform for its EquityClear service in March. The platform offers next generation clearing, operations and risk functionality, increasing operational efficiencies and enabling enhanced risk management for the service.

We keep a close eye on the broader macro-economic, technological and regulatory factors which continue to drive change in our industry. The digital transformation of financial markets infrastructure is driving customer demand to work with global providers that are better positioned to do more for them across the financial markets value chain.

In January, we successfully completed the Refinitiv transaction. LSEG's acquisition of Refinitiv will enable us to shape the industry's evolution, accelerating our strategy to be a leading global financial markets infrastructure and data provider. This transformational combination will deliver value to customers, helping them to access data, trading tools, analytics, liquidity and risk management across the financial markets and around the globe. LSEG is now truly global with a significant presence in North America, Europe, Asia and emerging markets, operating in 70 countries, bringing together exceptional skills and experience at scale. The Group is firmly focused on delivering the strategic benefits of the transaction to our shareholders, customers and other stakeholders. Integration of the businesses is fully underway as we implement the various multi-year opportunities identified across the three core operating divisions: Data & Analytics; Capital Markets; and Post Trade. I look forward to working with David Craig, the wider Executive Committee and our global team to execute on our strategy. I would also like to thank colleagues within the Borsa Italiana Group for their significant contribution to the Group's success, under the leadership of Raffaele Jerusalmi.

Sustainable Investment
The growing demand from asset owners and managers to incorporate sustainable investment approaches into their strategies has persisted through the pandemic. LSEG has many touch points with stakeholders that put us in a strong position to play a key role in the investment chain on sustainable investment. For example, FTSE Russell is working closely with customers to calibrate indices to their requirements to integrate climate and other environmental, social and governance (ESG) themes. The FTSE TPI Climate Transition Index, which was launched in early 2020, was the first global index to enable investors to align a broad equity portfolio with climate transition and the goals of the Paris Agreement. And in October, BlackRock selected FTSE Russell's 'Advanced Climate EGBI' as the benchmark for the first climate risk-adjusted government bond ETF in the market. In Capital Markets, London Stock Exchange's Green Economy Mark recognises listed companies with 50% or more of their revenues derived from products and services that contribute to the global green economy. Its Sustainable Bond Market welcomed 43 new issues in 2020 raising £14 billion across its sustainability, social and issuer-level segments.

LSEG has been a public supporter of the Task Force for Climate-related Financial Disclosures, TCFD, since its launch in 2017. In July, Mark Carney, UN special envoy for climate and finance, and I launched an initiative with the United Nations Sustainable Stock Exchanges (UN SSE) to work with exchanges around the world to help their issuers transition towards net zero. LSEG is now chairing a UN SSE advisory group, alongside the Johannesburg Stock Exchange to develop reporting guidance based on TCFD. These guidelines can then be used by corporate issuers, wherever they are listed, to ensure globally consistent disclosures.

In February 2021, LSEG also confirmed that it had become a signatory to the Business Ambition for 1.5^{o}C, and a member of the United Nations Climate Change 'Race to Zero'. The Group's ambitious, science-based targets to reduce emissions in alignment with the Paris Agreement have also been approved by the Science Based Targets initiative (SBTi).

Customer partnership
LSEG remains focused on building long-term partnerships with our customers to develop value-add products and services across the investment cycle. FTSE Russell continues to be a leader in the global index industry and is well positioned in growth segments such as passive investing. Passive assets under management are estimated to grow to US$36.6 trillion in the next five years and FTSE Russell's multi-asset capabilities are a key differentiator enabling product innovation across global equities and fixed income. Despite a challenging macro-economic environment, 44 ETFs linked to FTSE Russell benchmarks were launched in 2020 including China's first onshore Bond ETF listed in Singapore. At the end of 2020, the value of ETF assets tracking its indices was US$869 billion, up 16% on the previous year.

FTSE Russell's close partnerships with exchange groups resulted in a number of contract wins including a 10-year extension to our index derivatives agreement with Cboe Global Markets. FTSE Russell also strengthened its longstanding partnerships with SGX and Johannesburg Stock Exchange to provide a comprehensive range of derivatives and fixed income indices.

In Post Trade, LCH has engaged closely with the relevant government authorities and industry participants to support the global transition to alternative reference rates. In October, LCH successfully completed the transition to SOFR discounting. More than one million contracts transitioned with a total notional of US$120 trillion including cleared interest rate swaps in SwapClear, deliverable and non-deliverable forwards and options in ForexClear, and cross-currency swaps in SwapAgent. FTSE Russell has also partnered with market participants in the development of a new sterling interest rate benchmark based on overnight indexed swaps and has begun publication of daily indicative Term SONIA Reference Rates.

Market Access

2020 clearly demonstrated the importance of markets remaining open to enable price discovery and access to liquidity. Despite extreme market conditions, particularly in Q1, all of our markets continued to operate as normal with record volumes executed on our trading and clearing platforms. For example, 44.8 million trades were executed on London Stock Exchange's Order Book in March, 74% higher than the previous record. LCH's SwapClear processed US$1.1 quadrillion in notional in 2020, from a record 6.4 million trades. US$747.2 trillion in notional, and 5.2 million trades were compressed over the period, enabling members and their clients to save approximately US$33 billion in capital over the course of the year. LCH has embedded various anti-procyclical measures within its risk models, as a result of this prudent risk management approach, during the market stress and increased volatility of March and April 2020, LCH risk models behaved in a very predictable and incremental manner with very modest gradual increases in initial margin.

The pandemic and the resulting economic disruption highlighted the importance of access to liquidity and the ability for firms to raise equity capital efficiently. In 2020, 526 businesses raised £34.4 billion in follow-on capital, 113% more than in 2019 and the most in a decade. Many of these firms are listed on AIM, London Stock Exchange's growth market, which celebrated its 25th anniversary in June. £9.2 billion was raised through IPOs, up 27% from 2019. In fixed income, over £718 billion was raised, a 77% increase on 2019. Of this, over £75 billion was raised through Covid-19 response bonds, including social bonds from development banks across the world.

As part of LSEG's commitment to broadening retail investor access to public equity markets, the Group made a minority investment in PrimaryBid, a technology platform which connects retail investors with listed companies raising capital. LSEG's investment builds on collaboration with PrimaryBid to support innovation in capital markets allowing retail investors to access capital raisings on the same terms as institutional investors.

Following the UK's departure from the European Union and the end of the transition period on 31 December 2020, LSEG continues to advocate strongly for the prevention of the fragmentation of systems designed to make the financial markets efficient, stable and safe. In September, the European Securities and Markets Authority confirmed that LCH Ltd will remain an authorised Tier 2 CCP under the EMIR 2.2 supervisory framework until 30 June 2022. As such, LCH Ltd continues to offer clearing for all products and services to all members and clients. LCH will also engage and cooperate with the relevant regulatory authorities in respect of the long-term permanent recognition of LCH Ltd under EMIR 2.2. Turquoise Europe also successfully launched offering customers trading European stocks with a complete continuity of service.

Our Purpose

As a leading global financial markets infrastructure and data provider, LSEG provides high value services to customers around the world. We run businesses that are of systemic importance and recognise that in doing so we hold an important position in the financial ecosystem with a broad set of responsibilities to our stakeholders. We are also acutely aware of the role LSEG can play in the economic recovery driving financial stability and sustainable growth by enabling businesses and customers to fund innovation, manage risk and create jobs.

Events from across 2020, in particular the Black Lives Matter movement, have also led us to reflect on the importance and urgency of strengthening LSEG's commitment to diversity and inclusion, particularly racial inclusion. In June we launched six workstreams to improve our focus on ethnic diversity and make LSEG a more inclusive environment. Those six workstreams are: Culture, Wellbeing, Hiring, Training, Mentoring and Data. At the heart of this approach is the desire to create real, substantive and sustainable change across the Group. We have laid some of the foundations to improve diversity and strengthen inclusion at LSEG and we have grown our Inclusion Networks. We have also made public commitments on race and disability equality through the Race at Work Charter and The Valuable 500. There is clearly much more to do but LSEG is fully committed to that effort.

Looking forward

With our trusted expertise, global scale, and foundational financial and transaction services, our whole organisation is focused on partnering with our customers, helping them to access data, trading tools, analytics, liquidity and risk management across the financial markets and at scale around the globe.

The Group is well positioned for future growth despite an uncertain macro-economic and regulatory environment. The Group will also continue to invest in new products and services as well as operational excellence and resiliency. I look forward to working with the Executive Team to deliver for our customers, shareholders and other stakeholders.

Finally, I would like to take the opportunity to thank all of our people across the Group for their hard work in delivering another successful performance in uncertain and challenging times.

Financial review

The financial review covers the financial year ended 31 December 2020.

Commentary on performance uses variances on a continuing organic and constant currency basis, unless otherwise stated. Constant currency is calculated by rebasing 2019 at 2020 foreign exchange rates. Sub-segmentation of revenues are unaudited and are shown to assist the understanding of performance.

Highlights

- Total revenue of £2,124 million (2019: £2,056 million) increased by 3%
- Total income of £2,444 million (2019: £2,314 million) increased by 5%
- Adjusted EBITDA[1] of £1,329 million (2019: £1,265 million) increased by 5%
- Adjusted operating profit[1] of £1,118 million (2019: £1,065 million) increased by 6%
- Operating profit of £755 million (2019: £738 million) increased by 3%
- Adjusted basic earnings per share[1] of 209.7 pence (2019: 200.3 pence) increased by 5%
- Basic earnings per share of 120.3 pence (2019: 119.5 pence) increased by 1%
- Total dividend per share of 75.0 pence (2019: 70.0 pence) increased by 7%

There were no discontinued operations in 2020. The assets included in the divestment of the Borsa Italiana Group have been classified as discontinued from 13 January 2021.

Anna Manz
Group Chief Financial Officer

[1]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. As in previous years, adjusted operating expenses, adjusted EBITDA, adjusted operating profit and adjusted earnings per share all exclude amortisation and impairment of purchased intangible assets and goodwill and non-underlying items

Continuing Operations Revenue	12 months ended 31 Dec 2020 £m	12 months ended 31 Dec 2019 £m	Variance %	Organic and constant currency variance[2] %
Information Services	882	855	3	3
Post Trade Services	751	700	7	7
Capital Markets	427	426	-	-
Technology Services	61	66	(7)	(7)
Other revenue	3	9	-	-
Total revenue	**2,124**	**2,056**	**3**	**3**
Net Treasury Income from CCP clearing business	319	255	25	24
Other income	1	3	-	-
Total income	**2,444**	**2,314**	**6**	**5**
Cost of sales	(224)	(210)	7	6
Gross profit	**2,220**	**2,104**	**6**	**5**
Adjusted operating expenses before depreciation, amortisation and impairment[1]	(887)	(839)	6	5
Income from equity Investments	-	7	-	-
Share of loss after tax of associates	(4)	(7)	-	-
Adjusted earnings before interest, tax, depreciation, amortisation and impairment[1]	**1,329**	**1,265**	**5**	**5**
Underlying depreciation, amortisation and impairment[1]	(211)	(200)	5	5
Adjusted operating profit[1]	**1,118**	**1,065**	**5**	**6**
Amortisation of purchased intangible assets and non-underlying items	(363)	(327)	11	11
Operating profit	**755**	**738**	**2**	**3**
Adjusted basic earnings per share[1]	**209.7p**	**200.3p**	**5**	
Basic earnings per share	**120.3p**	**119.5p**	**1**	

[1]Before amortisation of purchased intangible assets and non-underlying items
[2]Organic growth is calculated in respect of businesses owned for at least 12 months in either period and excludes Beyond Ratings

Information Services

Revenue	12 months ended Dec 2020 £m	12 months ended Dec 2019 £m	Variance %	Organic and constant currency variance[1] %
Index – Subscription	443	418	6	6
Index - Asset based	225	231	(2)	(2)
FTSE Russell[2]	**668**	**649**	**3**	**3**
Real time data	105	97	9	8
Other information services[1,2]	109	109	-	(1)
Total revenue	**882**	**855**	**3**	**3**
Cost of sales	(68)	(72)	(6)	(7)
Gross profit	**814**	**783**	**4**	**4**
Adjusted operating expenses before depreciation, amortisation and impairment[3]	(304)	(300)	1	-
Adjusted earnings before interest, tax, depreciation, amortisation and impairment[3]	**510**	**483**	**6**	**-**
Underlying depreciation, amortisation and impairment[3]	(55)	(49)	12	-
Adjusted operating profit[3]	**455**	**434**	**5**	**-**

[1]Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Beyond Ratings
[2] UnaVista and some other minor items (previously reported in Other information services) are now included in Post Trade. Historical comparatives have been adjusted to reflect this
[3] Operating expenses before depreciation, amortisation and impairment; earnings before interest, tax, depreciation, amortisation and impairment; depreciation, amortisation and impairment; and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects

Information Services provides a wide range of information and data products including indices and benchmarks, analytics, real time pricing data and product identification reporting. Total revenue was £882 million (2019: £855 million).

FTSE Russell's revenue increased by 3% to £668 million (2019: £649 million). Good subscription renewal rates and sales activity contributed to 6% revenue growth in index subscription products, partly offset by a 2% decrease in asset-based revenues, reflecting a challenging year in asset valuations and asset based products as a result of market volatility associated with the global pandemic.

Real time data revenue increased by 8% to £105 million (2019: £97 million) driven by increased licence sales and demand for non-display data, particularly in Asia which saw strong growth in the number of retail customers accessing the service. This was partially offset by a 4% decline in terminal usage.

Cost of sales reduced by 7% to £68 million (2019: £72 million), primarily due to lower payments to FTSE Russell business partners related to the decline of asset based product revenue.

Adjusted operating expenses excluding depreciation, amortisation and impairment increased by 1% to £304 million (2019: £300 million). Underlying depreciation, amortisation and impairment rose 12% to £55 million (2019: £49 million) reflecting continued investment to support growth of the business and enhance the underlying infrastructure.

Adjusted operating profit increased by 5% to £455 million (2019: £434 million).

Operational highlights

2020 was a strong year for FTSE Russell ETFs with 44 ETFs launched based on our indices by partner clients and we also saw the highest number of fixed income ETFs (16) and the highest number of sustainability ETFs (11) launched in a single year (including use of the FTSE Advanced Climate Risk-Adjusted EMU Government Bond Index adopted by iShares).

Other highlights include the launch of the Green Revenues 2.0 Data Model, which measures the green revenue exposure of more than 16,000 listed companies across 48 developed and emerging markets. This represents 98.5% of the total global market value of listed companies and significantly enhances FTSE Russell's sustainability offering and future new products.

FTSE Russell also entered into a long term strategic partnership with the Singapore Exchange (SGX) to develop a comprehensive Asian and Emerging Markets focused, multi-asset index derivatives offering, and support growing demand across Asia for index-based listed derivatives, including in sustainable investment.

Going forward, FTSE Russell, the real time data business in the UK, and the majority of other information services will be incorporated into the newly formed Data & Analytics division. Real time data revenues in relation to Borsa Italiana terminals, are included in the Borsa Italiana Group divestment and will be classified as discontinued from 13 January 2021.

Post Trade

Revenue	12 months ended Dec 2020 £m	12 months ended Dec 2019 £m	Variance %	Organic and constant currency variance %
OTC – SwapClear, ForexClear & CDSClear	309	307	1	1
Non-OTC – Fixed income, Cash equities & Listed derivatives	164	140	17	16
LCH other revenue	118	103	14	14
Total LCH revenue	**591**	**550**	**7**	**7**
Clearing (CC&G)	43	43	1	-
Settlement, Custody & other (Monte Titoli)	63	60	4	3
Total Post Trade Italy revenue	**106**	**103**	**3**	**1**
UnaVista	54	47	16	16
Total revenue	**751**	**700**	**7**	**7**
LCH – Net treasury income	269	206	31	30
CC&G – Net treasury income	50	49	2	1
Total income	**1,070**	**955**	**12**	**12**
Cost of sales	(144)	(122)	18	17
Gross profit	**926**	**833**	**11**	**11**
Adjusted operating expenses before depreciation, amortisation and impairment[1]	(355)	(332)	7	-
Adjusted earnings before interest, tax, depreciation, amortisation and impairment[1]	**571**	**501**	**14**	**-**
Underlying depreciation, amortisation and impairment[1]	(98)	(90)	9	-
Adjusted operating profit[1]	**473**	**411**	**15**	**-**

[1]Operating expenses before depreciation, amortisation and impairment; earnings before interest, tax, depreciation, amortisation and impairment; depreciation, amortisation and impairment; and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects

Post Trade provides clearing, settlement, custody and regulatory reporting activities. Revenue was £751 million (2019: £700 million). Total income was £1,070 million (2019: £955 million).

OTC clearing revenue increased by 1% to £309 million (2019: £307 million), driven by higher activity levels in SwapClear in H1 as the market reacted to Covid-19. Annual member and client revenues both increased marginally in the year. Member revenues are largely tiered fixed-fee arrangements based on annual volume levels but grew slightly as some members moved up to higher fee tariffs. Client revenues, which vary more directly with service activity levels, also increased with client trade volume up 6% to 1,784,000 (2019: 1,681,000) year on year, driven by the significant volumes in H1 (volumes were up 24% in H1). In Q3 2020, Rates market activity levels reduced from H1 highs, and as Q4 2020 volumes began to normalise to levels more in line with Q4 2019 (up 5%), revenues remained resilient. Reflecting the market activity levels, US$1.1 quadrillion of total member and client notional was cleared across 6.4 million trades in the year (2019: US$1.2 quadrillion, 6.1 million). ForexClear membership increased to 35 members (2019: 34) while notional value cleared grew by 5% to US$19.0 trillion (2019: US$18.0 trillion). Of this, US$167 billion was client cleared notional, up significantly from the previous year (2019: US$61 billion). CDSClear client cleared notional increased to €193 billion (2019: €42.9 billion).

Non-OTC clearing revenue increased by 16% to £164 million (2019: £140 million), reflecting high trading volumes across equities and fixed income markets. Cleared trades in EquityClear increased 41%, to 1,963 million trades (2019: 1,397 million) with the service demonstrating the resilience of its new clearing platform which was successfully launched during the height of market volatility.

LCH other revenue, which mainly includes fees from non-cash collateral management and compression services, increased by 14% to £118 million (2019: £103 million), reflecting high activity levels across the clearing services.

UnaVista, the regulatory reporting business, revenues increased by 16% to £54 million (2019: £47 million) driven by the launch of the Securities Financing Transaction Regulation (SFTR) in July, which enhances the transparency of securities financing markets by requiring participants to report relevant transactions to a Trade Repository, and volatility.

LCH Net Treasury Income (NTI) increased by 30% to £269 million (2019: £206 million). The growth reflects a 12% rise in average cash collateral held to €110 billion (2019: €98 billion), primarily driven by volumes cleared and market volatility during H1. In 2020, NTI comprised approximately 70% handling fee income and 30% investment return. The investment return component in H1 was elevated due to the higher quantum of cash posted by members and the rapid reduction in central bank interest rates. In H2 cash collateral levels normalised down to an average of €103 billion, broadly in line with H2 2019 and short-term investments reflected the new lower interest rates. The Group expects NTI to stabilise around the levels seen in Q4 2020 if cash collateral levels and interest rates remain stable, and therefore c.£48 million of NTI in 2020 is unlikely to be repeated in 2021.

Cost of sales increased 17% to £144 million (2019: £122 million), reflecting the higher income and sharing within the SwapClear agreement.

Adjusted operating expenses excluding depreciation, amortisation and impairment increased by 7% to £355 million (2019: £332 million) and depreciation, amortisation and impairment increased by 9% to £98 million (2019: £90 million) driven by increased IT costs and investment to ensure the resilience of the Group’s infrastructure.

Adjusted operating profit increased by 15% to £473 million (2019: £411 million).

Operational highlights

LCH experienced record activity in CDSClear, ForexClear, EquityClear and SwapClear client clearing, with volumes driven by volatile market conditions. LCH remained operationally resilient whilst simultaneously investing in and significantly upgrading software and hardware across multiple platforms.

During the year, LCH continued to drive and support the global efforts to reform reference rates, successfully completing the switch to Euro short-term rate (€STR) discounting in July 2020, with €81.3 trillion in notional transitioned. The transition to the Secured Overnight Financing Rate (SOFR) discounting saw US$120 trillion in notional transitioning to the risk-free rate in October 2020.

SwapClear also became the first clearing service to offer Singapore Dollar swaps benchmarked to SORA and launched clearing for Israeli Shekel-denominated swaps in September 2020. SwapClear now offers clearing for interest rate derivatives across 27 currencies. In 2020, ForexClear launched clearing for non- deliverable FX options across nine currency pairs, complementing clearing of non-deliverable FX forwards, deliverable FX options and deliverable FX forwards. Clearing the new product creates further opportunities for clearing members and their clients to achieve operational and capital efficiencies through portfolio netting with products already cleared at ForexClear. CDSClear went live with US credit index options.

Capital Markets

Revenue	12 months ended Dec 2020 £m	12 months ended Dec 2019 £m	Variance %	Organic and constant currency variance %
Primary Markets	131	151	(13)	(13)
Secondary Markets - Equities	171	151	13	13
Secondary Markets – Fixed income, derivatives and Other	125	124	-	(1)
Total revenue	**427**	**426**	**-**	**-**
Cost of sales	(4)	(5)	(23)	(23)
Gross profit	**423**	**421**	**-**	-
Adjusted operating expenses before depreciation, amortisation and impairment[1]	(203)	(192)	6	-
Share of loss after tax of associates	-	(1)	-	-
Adjusted earnings before interest, tax, depreciation, amortisation and impairment[1]	**220**	**228**	**(4)**	**-**
Underlying depreciation, amortisation and impairment[1]	(35)	(32)	9	-
Adjusted operating profit[1]	**185**	**196**	**(6)**	**-**

[1] Operating expenses before depreciation, amortisation and impairment; earnings before interest, tax, depreciation, amortisation and impairment; depreciation, amortisation and impairment; and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects

Capital Markets comprises Primary Market capital raising and Secondary Market trading activities. Revenue was £427 million (2019: £426 million). Excluding the one-off impact of the £32 million balance sheet adjustment under IFRS 15 in 2019, underlying revenue grew 8%.

Primary Markets revenue decreased by 13% to £131 million in 2020 (2019: £151 million), however removing the one-off impact of the balance sheet adjustment underlying Primary Markets revenue grew 10%. The underlying revenue growth was driven by the total amount of capital raised across the Group's markets, through new and further issues, which increased by 91% to £44.8 billion (2019: £23.4 billion). The number of new issues in 2020 across the Group's markets was 108, largely in-line with prior year (2019: 109). The increase in total capital raised was mainly due to the £35.3 billion (2019: £16.6 billion) of further issuance, demonstrating the ability of public markets to respond quickly to the new capital needs of issuers during the pandemic.

Secondary Markets revenue increased by 13% to £171 million (2019: £151 million). London Stock Exchange revenue is directly linked to average orderbook daily value traded, which increased by 4% to £4.9 billion (2019: £4.7 billion) as a result of the pandemic driving increased trading amidst heightened market volatility, particularly in March and November. Italian equity trading volumes, which directly relate to revenue, increased by 35% year on year, with an average of 345,000 trades per day (2019: 255,000).

Turquoise, the Group's pan-European equities platform, saw record volumes on Turquoise Plato and Turquoise Plato Lit Auctions orderbooks in 2020, up 14% and 28% respectively on 2019 performance. This was offset by a fall in Lit volumes of 11% where Lit market liquidity tended towards the primary listing venues rather than MTFs, overall Turquoise saw a 4% decrease in average daily equity value traded to €2.0 billion (2019: €2.1 billion).

Fixed income, derivatives and other revenue remained broadly flat year on year at £125 million (2019: £124 million). MTS fixed income saw strong performance with the Cash market value traded up 25% this was partially offset by a decline in money market volumes, down 13%. Our Italian derivatives market's performance was impacted by decreased market volumes as a result of a short-selling ban implemented during the year.

Cost of sales decreased by 23% to £4 million (2019: £5 million), primarily driven by the removal of the revenue share in January 2020 for TRADEcho, London Stock Exchange's MiFiD II reporting service.

Adjusted operating expenses excluding depreciation, amortisation and impairment increased by 6% to £203 million (2019: £192 million) while depreciation, amortisation and impairment increased 9% to £35 million (2019: £32 million), driven by increased IT costs and investment to ensure the resilience of the Group's infrastructure and market operations.

Share of loss after tax of associates in 2019 relates to the Group's share of the HUB Exchange funding platform.

Adjusted operating profit decreased by 6% to £185 million (2019: £196 million).

Operational highlights

In the year LSEG saw a number of notable IPOs, including international and technology listings, and three companies issued GDRs through the Shanghai-London Stock Connect service, raising US$4.1 billion. The Group continued to support innovative and dynamic SMEs through AIM and AIM Italia. Demonstrating LSEG as a global hub for sustainable investment, the number of ESG ETFs listed in London increased 110% to 61, while the Group continued to develop the Sustainable Bond Market.

London Stock Exchange and Borsa Italiana's equity trading venues remained resilient throughout the year, successfully managing periods of high volatility. Turquoise was authorised to operate an MTF in the Netherlands, launching in November to ensure continued access for traders to the European market, post the UK leaving the EU.

Borsa Italiana and MTS are included in the Borsa Italiana Group divestment and have been classified as discontinued from 13 January 2021.

Technology Services

	12 months ended Dec 2020 £m	12 months ended Dec 2019 £m	Variance %	Organic and constant currency variance%
Revenue	61	66	(7)	(7)
Inter-segmental revenue	22	17	29	29
Total revenue	**83**	**83**	**-**	**-**
Cost of sales	(7)	(7)	-	-
Gross profit	**76**	**76**	**-**	**-**
Adjusted operating expenses before depreciation, amortisation and impairment[1]	(34)	(21)	(62)	-
Adjusted earnings before interest, tax, depreciation, amortisation and impairment[1]	**42**	**55**	**(24)**	**-**
Underlying depreciation, amortisation and impairment[1]	(21)	(25)	16	-
Adjusted operating profit / (loss)[1]	**21**	**30**	**(30)**	**-**

[1] Operating expenses before depreciation, amortisation and impairment; earnings before interest, tax, depreciation, amortisation and impairment; depreciation, amortisation and impairment; and operating profit / (loss) variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects

Technology Services provides server location solutions, client connectivity and software products for the Group and third parties.

Third party revenue reduced by £5 million to £61 million (2019: £66 million), driven by Covid-19 challenges and focus on delivery of internal technology requirements.

Adjusted operating expenses excluding depreciation, amortisation and impairment increased by £13 million to £34 million (2019: £21 million), and depreciation, amortisation and impairment decreased £4 million to £21 million (2019: £25 million).

The Technology segment made a profit of £21 million (2019: £30 million).

With effect from 2021, Technology Services division will be incorporated into the Capital Markets division and its revenue recognised in the Secondary Markets – Fixed income, derivatives and other line, reflecting a move to focus on internal delivery.

Operating Expenses

Group operating expenses (including depreciation, amortisation and impairment) before amortisation of purchased intangible assets and non-underlying items, were £1,098 million (2019: £1,039 million).

Total operating expenses increased by 5%. Within this, expenses excluding depreciation, amortisation and impairment increased 5%.

The expense increase is partly driven by spend to support the Group's growth through new product development and route to market in income generating segments. IT spend also increased to support the resilience of the Group's infrastructure and adoption of transformative technology, including enhanced cyber security and increased transfer from physical assets to cloud-based services. The Group also increased spend in non-IT related resilience, including teams supporting market operations and corporate functions.

The Group made a net cost saving of £15 million during the pandemic with extra costs from donations to Covid-19 relief charities, additional holiday carryover for employees and impairments to sublease income, more than offset by savings on travel, marketing events and facilities costs.

The Group successfully achieved the £30 million run-rate cost saving announced as part of the global headcount programme announced in March 2019. The 2020 benefit of the savings was £10 million.

Depreciation and amortisation increased by 5% reflecting go-live of projects over the last year from ongoing investment in infrastructure and resilience. This is lower than previously guided due to the impact of Covid-19 restrictions on the volume and speed of investment in the year.

Looking ahead, investment in 2021 is expected to increase, reflecting not only the continuation of spend on resilience across all parts of the new enlarged Group, but also further expenditure on efficiency-related projects and development of new products and services to drive future growth. Capital expenditure is expected to be in the region of c.£850 million, with associated operating costs of £150 million. Reflecting this increased level of investment, plus recent small acquisitions by Refinitiv, and net of in-year cost savings, 2021 operating expenses, excluding depreciation, amortisation and impairment, are anticipated to increase by mid-single-digits. Depreciation and amortisation is also expected to rise, to c.£830 million in 2021.

Income from Equity Investments and Share of Loss After Tax of Associates

No income from equity investments was received in the current year (2019: £7 million) as the expected dividend from the Group's 4.92% share in Euroclear was postponed following guidance from Euroclear's regulators in view of the Covid-19 crisis.

The share of loss after tax of associates primarily reflects the Group's 44% minority share of the operating loss of CurveGlobal of £4 million (2019: £6 million share of loss).

Non-underlying Items

Non-underlying operating items increased by £36 million to £363 million (2019: £327 million). Non-underlying items in 2020 included amortisation and impairment of goodwill and purchased intangible assets of £195 million (2019: £195 million). Within this, £10 million relates to accelerated amortisation in relation to Mergent CGU and a further £10 million relates to impairment of goodwill and purchased intangibles of Mergent CGU, driven by lower expected future cash flows than forecast at the time of acquisition.

In relation to acquisitions, the Group has incurred £173 million (2019: £96 million) of transaction costs.

The Group incurred £13 million (2019: £16 million) of non-underlying financing commitment fees in relation to the Refinitiv acquisition for the two tranches of bridge financing facility of US$9.325 billion and €3.58 billion, which were resized to US$7.325 billion and €3.08 billion.

Non-underlying items

Year ended 31 December	2020 £m	2019 £m
Transaction costs	173	96
Restructuring (credit)/costs	(5)	32
Integration costs	-	4
Non-underlying operating expenses before interest, tax, depreciation, amortisation and impairment	**168**	**132**
Amortisation of purchased intangible assets	164	180
Impairment of goodwill and purchased intangibles	10	15
Impairment of software	21	-
Non-underlying operating expenses before interest and tax	**363**	**327**
Non-underlying finance expense	13	16
Total non-underlying expenses included in profit before tax	**376**	**343**

Finance Income and Expense and Taxation

Underlying net finance costs were £57 million, down £14 million on the prior year primarily due to refinancing the October 2019 £250 million 9.125% per annum coupon bond, using existing bank facilities at significantly lower rates of interest.

The effective tax rate for the period in respect of continuing underlying operations and excluding the effect of prior year adjustments was 24.4% (2019: 23.7%). This reflects the mix of profits across a largely stable tax base without any material changes in underlying rates but does include a one off increase in the rate resulting from disputes with overseas tax authorities. Adjusting for this item, the underlying tax rate was 23.4%.

The Group continues to monitor the evolving tax landscape and potential developments with US tax reform. While there are no material changes to the underlying tax base or rates for 2021, we note that the recent UK budget announcement indicates the UK corporate tax rate will increase to 25% from April 2023. Accordingly, we have considered the impact of the increased rate on the revaluation of the Group's deferred tax assets and liabilities, which will be required during 2021.

Therefore, considering the mix of profits for the organisation combined with Refinitiv, the Group should expect to record a reported tax rate on an underlying basis of between 22% to 24% for 2021, which forms our best estimate of forward guidance.

Cash Flow, Balance Sheet and Financing

The Group's business continued to be strongly cash generative during the year, with cash generated from operations of £1,283 million (2019: £1,089 million). Cash generation, after organic and inorganic investments and other normal course payment obligations, was positive.

At 31 December 2020, the Group had net assets of £4,125 million (2019: £3,801 million). The central counterparty clearing business assets and liabilities within LCH 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	2020 £m	2019 £m
Gross borrowings	1,951	2,085
Cash and cash equivalents	(1,785)	(1,493)
Net derivative financial liabilities	17	38
Net debt	**183**	**630**
Regulatory and operational cash	1,242	1,125
Operating net debt	**1,425**	**1,755**

At 31 December 2020, the Group had operating net debt of £1,425 million after setting aside £1,242 million of cash and cash equivalents held to support regulatory and operational requirements, including cash and cash equivalents at LCH Group and amounts covering regulatory requirements at other LSEG companies. Total regulatory cash increased during the year in response to Covid-19 market volatility. The Group's operating net debt decreased during the year.

Net leverage (operating net debt to EBITDA updated to account for the EBITDA of acquisitions or disposals undertaken in the period) decreased to 1.1 times at 31 December 2020 (31 December 2019: 1.4 times) and positions the Group near the bottom of its targeted range of 1-2 times.

The Group's interest cover, the coverage of net finance expense by EBITDA (consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation, foreign exchange gains or losses and non-underlying items), increased to 18.8 times in the 12 months to 31 December 2020 (31 December 2019: 14.4 times) as more expensive bond debt was replaced with cheaper bank facility borrowing and EBITDA improved.

During the financial year the Group retained its £1.2 billion of committed bank facilities for general corporate purposes, and made further arrangements to ensure availability of funding capacity to replace Refinitiv's debt upon completion of the acquisition.

On 16 December 2020, the dual tranche US$9.325 billion and €3.580 billion syndicated committed Bridge Facility, taken out during 2019 in preparation for refinancing Refinitiv's debt, was resized being partially replaced with two three-year term loan facilities of US$2 billion and €500 million. At the same time, the Group entered into an additional £1,075 million syndicated committed facility agreement to replace the £600 million facility maturing in November 2022, and signed an Amendment and Restatement agreement which increases the £600 million Revolving Credit Facility agreement maturing in December 2024 to £1,425 million.

These new facilities were undrawn at 31 December 2020 and remained available to draw contingent upon the completion of the Group's proposed acquisition of Refinitiv. The combined new facilities offer the Group sufficient acquisition headroom, while at the same time providing an additional flexible financing capacity of £1.3 billion for general corporate purposes. The terms of the new agreements are consistent with those of the Group's existing facilities and appropriate for an investment grade borrower including change of control provisions.

With £886 million of undrawn committed bank lines (after taking into account committed, swingline backstop coverage for the €189 million commercial paper in issuance), the Group continues to be well positioned to fund planned growth. The new banking facilities, are also expected to provide an appropriate level of financial flexibility to the Group in its planning at the end of 2020.

At the end of 2020, the Group's long-term credit ratings were A3 and A with Moody's and S&P respectively, with both agencies having moved their ratings to a negative outlook in anticipation of the impact of the Refinitiv acquisition on net leverage. Subsequent to the completion of the Refinitiv acquisition, both agencies affirmed their ratings with Moody's revising its outlook to stable and S&P maintaining a negative outlook.

Foreign exchange

	2020	2019
Spot £/€ rate at 31 December	**1.11**	1.17
Spot £/US$ rate at 31 December	**1.36**	1.31
Average £/€ rate for the year	**1.13**	1.14
Average £/US$ rate for the year	**1.28**	1.28

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 2020, the main exposures for the Group were its European based Euro reporting businesses and its US based operations, principally Russell Indices, Mergent and The Yield Book. A 10 euro cent movement in the average £/€ rate for the year and a 10 cent movement in the average £/US$ rate for the year would have changed the Group's operating profit for the year before amortisation of purchased intangible assets and non-underlying items by approximately £38.2 million and £12.5 million, respectively.

The Group continues to manage its translation risk exposure by, where possible, matching the currency of its debt to the currency of its earnings, to ensure its key financial ratios are protected from material foreign exchange rate volatility.

Earnings per share

The Group delivered a 5% increase in adjusted basic earnings per share, which excludes amortisation of purchased intangible assets and non-underlying items, to 209.7 pence (2019: 200.3 pence). Basic earnings per share were 120.3 pence (2019: 119.5 pence).

Dividend

The Board is proposing a final dividend of 51.7 pence per share, which together with the interim dividend of 23.3 pence per share paid to shareholders in September 2020, results in a 7% increase in the total dividend to 75.0 pence per share. The final dividend will be paid on 26 May 2021 to shareholders on the register as at 30 April 2021.

Historic Financial Information relevant to acquisition of Refinitiv

The below table presents pro-forma financial information as if the enlarged group (excluding Borsa Italiana Group) had existed for all of 2019 and 2020.

- The tables show the pro-forma underlying results of the Group, combining the results of LSEG plc, Refinitiv and deducting the results of Borsa Italiana Group.
- All historic financial information provided on the enlarged Group is presented on an IFRS basis and is consistent with LSEG accounting policies. The combined results are unaudited and do not include adjustments for intercompany transactions, reallocations of costs, any fair value adjustments arising out of the purchase price allocation exercise, any future changes to accounting estimates or judgements, and are therefore subject to change.
- The LSEG plc financial information has been extracted from the audited consolidated financial statements of LSEG plc for the years ended 31 December 2020 and 31 December 2019.
- The Refinitiv financial information has been extracted from US GAAP financial statements of the Refinitiv Parent for the years ended 31 December 2020 and 31 December 2019. These results have been adjusted to be on an IFRS basis and are unaudited.
- An average rate of exchange of US$1.28 to £1 has been used to convert the financial information of Refinitiv Parent into pounds sterling for the year ended 31 December 2020 and year ended 31 December 2019. This reflects the average rate used in the respective year ends for the LSEG consolidated financial statements.
- The Borsa Italiana Group financial information has been extracted from the audited consolidated financial statements of LSEG plc for the years ended 31 December 2020 and 31 December 2019.
- Average rates of exchange of €1.13 to £1 and €1.14 to £1 have been used to convert the financial information of the Borsa Italiana Group into pounds sterling for the year ended 31 December 2020 and 31 December 2019 respectively.
- The recurring/non-recurring income analysis has been presented based on management's current basis of recognition which differs to that disclosed in the Prospectus issued on 9 December 2020.

Pro-Forma	12 months ended 31 Dec 2020 £m	12 months ended 31 Dec 2019 £m	Variance %
Data & Analytics	4,675	4,574	2
Capital Markets	1,170	1,099	6
Post Trade[1]	915	803	14
Other	3	9	-
Total income (excluding recoveries)	**6,763**	**6,485**	**4**
Recoveries[2]	340	328	4
Total income (including recoveries)	**7,103**	**6,813**	**4**
Cost of sales	(970)	(941)	3
Gross profit	**6,133**	**5,872**	**4**
Adjusted operating expenses before depreciation, amortisation and impairment	(2,937)	(3,037)	(3)
Income from equity Investments	-	7	-
Share of loss after tax of associates	(4)	(5)	-
Adjusted earnings before interest, tax, depreciation, amortisation and impairment	**3,192**	**2,837**	**13**
Underlying depreciation, amortisation and impairment	(781)	(687)	14
Adjusted operating profit	**2,411**	**2,150**	**12**

Income split by type			
Recurring	5,060	4,952	2
Non-recurring[1]	2,043	1,861	10
Total income (including recoveries)	**7,103**	**6,813**	**4**

[1] Includes NTI of £206m in 2019 and £269m in 2020
[2] Recoveries revenue is collected from customers and passed through to third-party providers who provide access to their content via Refinitiv's platform.

Financial Targets

At the time of the announcement of the Refinitiv acquisition on 1 August 2019, the Group set out financial targets for the combined company. These targets remain unchanged, except to reflect the divestment of Borsa Italiana and the consequent faster timescale to move back within the target leverage range.

The financial targets are provided below:

Target
5-7% Total Income (excluding recoveries) CAGR over the first three years[1]
In excess of £225 million of annual run rate revenue synergies phased over five years[2] **Target phasing (run-rate rather than in-year revenue achievement):** Year three - 60% Year five - 100%
In excess of £350 million of annual run rate cost synergies phased over five years[2,3] **Target phasing (run-rate rather than in-year savings achievement):** Year one - 25% Year three - 70% Year five -100%
50% Adjusted EBITDA margin (excluding recoveries) over the medium term
Leverage to reduce to within 1-2x target range within 24 months of completion[4]
Adjusted EPS accretion after the first year of completion in excess of 30% and increasing in years two and three[4]

[1] Total income growth target to be measured off the 2020 pro-forma Total Income (excluding recoveries) of £6,763 million and runs until 31 December 2023
[2] Revenue and cost synergy targets run to 31 December 2025
[3] Year one cost synergy phasing refers to the full 12 months to 31 December 2021
[4] Measured from the date of Completion of the Refinitiv transaction: 29 January 2021

Appendix to Historical Financial Information relevant to acquisition of Refinitiv

The following tables summarise the constituent elements of the Historical Financial Information between LSEG consolidated financial information, Refinitiv financial information presented on an IFRS basis, and the removal of Borsa Italiana financial information.

Pro-Forma for 12 months ended December 2020	LSEG consolidated 12 months ended 31 Dec 2020 £m	Refinitiv (IFRS basis unaudited) 12 months ended 31 Dec 2020 £m	Borsa Italiana 12 months ended 31 Dec 2020 £m	Pro-Forma 12 months ended 31 Dec 2020 £m
Data & Analytics	864	3,852	(41)	4,675
Capital Markets	506	881	(217)	1,170
Post Trade	1,071	-	(156)	915
Other	3	-	-	3
Total income (excluding recoveries)	**2,444**	**4,733**	**(414)**	**6,763**
Recoveries	-	340	-	340
Total income (including recoveries)	**2,444**	**5,073**	**(414)**	**7,103**
Cost of sales	(224)	(762)	16	(970)
Gross profit	**2,220**	**4,311**	**(398)**	**6,133**
Adjusted operating expenses before depreciation, amortisation and impairment	(887)	(2,188)	138	(2,937)
Income from equity Investments	-	-	-	-
Share of loss after tax of associates	(4)	-	-	(4)
Adjusted earnings before interest, tax, depreciation, amortisation and impairment	**1,329**	**2,123**	**(260)**	**3,192**
Underlying depreciation, amortisation and impairment	(211)	(600)	30	(781)
Adjusted operating profit	**1,118**	**1,523**	**(230)**	**2,411**
Income split by type				
Recurring	1,058	4,149	(147)	5,060
Non-recurring	1,386	924	(267)	2,043
Total income (including recoveries)	**2,444**	**5,073**	**(414)**	**7,103**

Pro-Forma for 12 months ended December 2019	LSEG consolidated 12 months ended 31 Dec 2019 £m	Refinitiv (IFRS basis unaudited) 12 months ended 31 Dec 2019 £m	Borsa Italiana 12 months ended 31 Dec 2019 £m	Pro-Forma 12 months ended 31 Dec 2019 £m
Data & Analytics	839	3,771	(36)	4,574
Capital Markets	508	795	(204)	1,099
Post Trade	955	-	(152)	803
Other	12	-	(3)	9
Total income (excluding recoveries)	**2,314**	**4,566**	**(395)**	**6,485**
Recoveries	-	328	-	328
Total income (including recoveries)	**2,314**	**4,894**	**(395)**	**6,813**
Cost of sales	(210)	(748)	17	(941)
Gross profit	**2,104**	**4,146**	**(378)**	**5,872**
Adjusted operating expenses before depreciation, amortisation and impairment	(839)	(2,331)	133	(3,037)
Income from equity Investments	7	-	-	7
Share of loss after tax of associates	(7)	2	-	(5)
Adjusted earnings before interest, tax, depreciation, amortisation and impairment	**1,265**	**1,817**	**(245)**	**2,837**
Underlying depreciation, amortisation and impairment	(200)	(516)	29	(687)

Pro-Forma for 12 months ended December 2019	LSEG consolidated 12 months ended 31 Dec 2019 £m	Refinitiv (IFRS basis unaudited) 12 months ended 31 Dec 2019 £m	Borsa Italiana 12 months ended 31 Dec 2019 £m	Pro-Forma 12 months ended 31 Dec 2019 £m
Adjusted operating profit	**1,065**	**1,301**	**(216)**	**2,150**
Income split by type				
Recurring	1,037	4,059	(144)	4,952
Non-recurring	1,277	835	(251)	1,861
Total income (including recoveries)	**2,314**	**4,894**	**(395)**	**6,813**

INCOME STATEMENT

Year ended 31 December 2020

		2020			2019		
		Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
Continuing operations	Notes	£m	£m	£m	£m	£m	£m
Revenue	3	**2,124**	**-**	**2,124**	2,056	-	2,056
Net treasury income from CCP clearing business	3	**319**	**-**	**319**	255	-	255
Other income	3	**1**	**-**	**1**	3	-	3
Total income		**2,444**	**-**	**2,444**	2,314	-	2,314
Cost of sales	3	**(224)**	**-**	**(224)**	(210)	-	(210)
Gross profit		**2,220**	**-**	**2,220**	2,104	-	2,104
Expenses							
Operating expenses before depreciation, amortisation and impairment	4, 6	**(887)**	**(168)**	**(1,055)**	(839)	(132)	(971)
Income from equity investments	3	**-**	**-**	**-**	7	-	7
Share of loss after tax of associates	3	**(4)**	**-**	**(4)**	(7)	-	(7)
Earnings before interest, tax, depreciation, amortisation and impairment		**1,329**	**(168)**	**1,161**	1,265	(132)	1,133
Depreciation, amortisation and impairment	6, 11	**(211)**	**(195)**	**(406)**	(200)	(195)	(395)
Operating profit/(loss)		**1,118**	**(363)**	**755**	1,065	(327)	738
Finance income		**7**	**-**	**7**	14	-	14
Finance expense		**(64)**	**(13)**	**(77)**	(85)	(16)	(101)
Net finance expense	6, 7	**(57)**	**(13)**	**(70)**	(71)	(16)	(87)
Profit/(loss) before tax		**1,061**	**(376)**	**685**	994	(343)	651
Taxation	6, 8	**(257)**	**59**	**(198)**	(236)	50	(186)
Profit/(loss) for the year		**804**	**(317)**	**487**	758	(293)	465
Profit/(loss) attributable to:							
Equity holders		**734**	**(313)**	**421**	699	(282)	417
Non-controlling interests		**70**	**(4)**	**66**	59	(11)	48
Profit/(loss) for the year		**804**	**(317)**	**487**	758	(293)	465
Earnings per share attributable to equity holders							
Basic earnings per share	9			**120.3p**			119.5p
Diluted earnings per share	9			**118.9p**			118.1p
Adjusted basic earnings per share	9			**209.7p**			200.3p
Adjusted diluted earnings per share	9			**207.3p**			198.0p
Dividend per share in respect of the financial year							
Dividend per share paid during the year	10			**23.3p**			20.1p
Dividend per share declared for the year	10			**51.7p**			49.9p

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 £m	2019 £m
Profit for the year		**487**	465
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Defined benefit pension scheme remeasurement (loss)/ gain		**(1)**	7
Gain on equity instruments designated at fair value through other comprehensive income		**6**	-
Income tax relating to these items	8	**1**	-
		6	7
Items that may be subsequently reclassified to profit or loss:			
Net (losses)/gains on net investment hedges		**(64)**	71
Debt instruments at fair value through other comprehensive income:			
- Net gains from changes in fair value		**26**	16
- Net gains reclassified to the consolidated income statement on disposal		**(4)**	(2)
Exchange gains/(losses) on translation of foreign operations		**86**	(218)
Income tax relating to these items	8	**(5)**	(5)
		39	(138)
Other comprehensive income/ (loss) net of tax		**45**	(131)
Total comprehensive income for the year		**532**	334
Total comprehensive income attributable to:			
Equity holders		**449**	298
Non-controlling interests		**83**	36
Total comprehensive income for the year		**532**	334

BALANCE SHEET

At 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Property, plant and equipment		**297**	288
Intangible assets	11	**4,324**	4,421
Investment in associates		**25**	28
Deferred tax assets		**51**	49
Investments in financial assets	12	**280**	266
Retirement benefit asset		**81**	66
Trade and other receivables	12	**14**	19
		5,072	5,137
Current assets			
Trade and other receivables	12	**594**	566
Derivative financial instruments	12	**-**	2
Clearing member financial assets		**758,510**	729,094
Clearing member cash and cash equivalents		**83,011**	67,118
Clearing member assets	12	**841,521**	796,212
Current tax		**77**	160
Investments in financial assets	12	**92**	81
Cash and cash equivalents		**1,785**	1,493
		844,069	798,514
Total assets		**849,141**	803,651
Liabilities			
Current liabilities			
Trade and other payables	12	**613**	620
Contract liabilities		**168**	157
Derivative financial instruments	12	**6**	1
Clearing member liabilities	12	**841,553**	796,102
Current tax		**24**	127
Borrowings	12, 13	**605**	512
Provisions		**1**	19
		842,970	797,538
Non-current liabilities			
Borrowings	12, 13	**1,346**	1,573
Derivative financial instruments	12	**11**	39
Contract liabilities		**94**	88
Deferred tax liabilities		**411**	432
Retirement benefit obligations		**18**	17
Other non-current payables	12	**152**	150
Provisions		**14**	13
		2,046	2,312
Total liabilities		**845,016**	799,850
Net assets		**4,125**	3,801

Equity			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	15	**24**	24
Share premium	15	**971**	967
Retained earnings		**911**	668
Other reserves		**1,805**	1,796
Total shareholders' funds		**3,711**	3,455
Non-controlling interests		**414**	346
Total equity		**4,125**	3,801

CASH FLOW STATEMENT

Year ended 31 December 2020

	Notes	2020 £m	2019 £m
Cash flow from operating activities			
Cash generated from operations	16	**1,283**	1,089
Interest received		**4**	6
Interest paid		**(78)**	(103)
Royalties paid		**(1)**	(2)
Corporation tax paid		**(232)**	(153)
Withholding tax paid		**(4)**	-
Net cash inflow from operating activities		**972**	837
Cash flow from investing activities			
Purchase of property, plant and equipment		**(33)**	(41)
Purchase of intangible assets	11	**(189)**	(154)
Proceeds from sale of businesses [1]		**29**	30
Acquisition of business, net of cash acquired [2]	18	**-**	(14)
Investment in associates		**-**	(11)
Investments in financial assets classed as FVOCI [3]		**(2)**	(247)
Investment in government bonds		**-**	(3)
Proceeds from divestment of government bonds		**2**	-
Net cash outflow from investing activities		**(193)**	(440)
Cash flow from financing activities			
Dividends paid to shareholders	10	**(257)**	(221)
Dividends paid to non-controlling interests		**(21)**	(40)
Purchase of non-controlling interests [4]		**-**	(9)
Purchase of own shares by the employee benefit trust		**(4)**	(5)
Proceeds from exercise of employee share options		**10**	5
Investment in convertible debt		**-**	(4)
Loan to associate		**-**	(1)
Arrangement fee paid		**(4)**	-
Bond repayment		**-**	(250)
Repayment towards commercial paper		**(101)**	-
Repayments made towards bank credit facilities		**(127)**	(35)
Additional drawdowns from bank credit facilities		**4**	261
Trade finance loans		**1**	-
Principal element of lease payments		**(43)**	(41)
Net cash outflow from financing activities		**(542)**	(340)
Increase in cash and cash equivalents		**237**	57
Cash and cash equivalents at beginning of year		**1,493**	1,510
Exchange gain/(loss) on cash and cash equivalents		**55**	(74)
Cash and cash equivalents at end of year		**1,785**	1,493

[1] Proceeds from sale of businesses represent deferred consideration of £29 million (2019: £30 million) received by the Group from its disposal of Russell Investment Management in 2016.

[2] Acquisition of business, net of cash acquired, in the prior year relates to the Group's acquisition of Beyond Ratings for £14 million.

[3] Investments in financial assets classed as FVOCI in the current year relate to the Group's minority investment of £2 million in PrimaryBid. In the prior year, the Group made equity investments in Nivaura Limited of £3 million and in Euroclear of £244 million.

[4] Purchase of non-controlling interests in the prior year relates to the Group's purchase of the remaining 30% interest in EuroTLX SIM S.p.A.

The Group's net cash inflow from operating activities of £972 million (2019: £837 million) includes £95 million (2019: £98 million) of expenses related to non-underlying items. The Group's net cash outflow from investing activities of £193 million (2019: £440 million) includes cash payments towards non-underlying purchases of fixed assets of £1 million (2019: nil).

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of their clearing members for use in their operations as managers of the clearing and guarantee systems. These balances represent margins and default funds held for counterparties for short periods in connection with these operations.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to equity holders						
	Ordinary share capital	**Share premium**	**Retained earnings**	**Other reserves**	**Total attributable to equity holders**	**Non-controlling interests**	**Total equity**
	£m	£m	£m	£m	£m	£m	£m
31 December 2018	24	965	401	1,930	3,320	355	3,675
Profit for the year	-	-	417	-	417	48	465
Other comprehensive income for the year	-	-	15	(134)	(119)	(12)	(131)
Issue of shares (note 15)	-	2	-	-	2	-	2
Final dividend relating to the year ended 31 December 2018 (note 10)	-	-	(151)	-	(151)	-	(151)
Interim dividend relating to the year ended 31 December 2019 (note 10)	-	-	(70)	-	(70)	-	(70)
Dividend payments to non-controlling interests	-	-	-	-	-	(44)	(44)
Employee share scheme expenses	-	-	37	-	37	-	37
Tax in relation to employee share scheme expenses	-	-	17	-	17	-	17
Purchase of non-controlling interest	-	-	2	-	2	(1)	1
31 December 2019	24	967	668	1,796	3,455	346	3,801
Profit for the year	**-**	**-**	**421**	**-**	**421**	**66**	**487**
Other comprehensive income for the year	**-**	**-**	**19**	**9**	**28**	**17**	**45**
Issue of shares (note 15)	**-**	**4**	**-**	**-**	**4**	**-**	**4**
Final dividend for the year ended 31 December 2019 (note 10)	**-**	**-**	**(175)**	**-**	**(175)**	**-**	**(175)**
Interim dividend for the year ended 31 December 2020 (note 10)	**-**	**-**	**(82)**	**-**	**(82)**	**-**	**(82)**
Dividend payments to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(16)**	**(16)**
Employee share scheme expenses	**-**	**-**	**51**	**-**	**51**	**-**	**51**
Tax in relation to employee share scheme expenses	**-**	**-**	**9**	**-**	**9**	**1**	**10**
31 December 2020	**24**	**971**	**911**	**1,805**	**3,711**	**414**	**4,125**

Other reserves comprise the following:

- Merger reserve of £1,305 million (2019: £1,305 million), a reserve that arose when the Company issued shares as part of the consideration to acquire subsidiary companies.
- Capital redemption reserve of £514 million (2019: £514 million), a reserve set up as a result of a court approved capital reduction.
- Reverse acquisition reserve of £(512) million (2019: £(512) million), a reserve arising on consolidation as a result of the capital reduction scheme.
- Foreign exchange translation reserve of £608 million (2019: £535 million), a reserve reflecting the impact of exchange rate movement on the retranslation of non-UK Sterling subsidiary companies. A net gain of £73 million was recorded in the year (2019: loss of £218 million) in the statement of other comprehensive income. The balance remains in equity until the subsidiary company is sold or disposed of by the Group.
- Hedging reserve of £(110) million (2019: £(46) million), a reserve representing the cumulative fair value adjustments recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles. The balance remains in equity until the hedging and underlying instrument are derecognised.

Purchase of non-controlling interests in the prior year relates to the Group's acquisition of the remaining 30% of EuroTLX SIM S.p.A.

The number of shares held by the Employee Benefit Trust to settle exercises of employee share awards was 487,866 (2019: 517,563).

Employee share scheme expenses include costs related to the issue and purchase of own shares for employee share schemes of £(8) million (2019: £(5) million), subscriptions, net of sundry costs, received on the vesting of employee share schemes of £10 million (2019: £5 million) and equity-settled share scheme expenses for the year of £49 million (2019: £37 million).

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

Basis of preparation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union), and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

From 1 January 2021, the Group will apply UK-adopted International Accounting Standards under the Companies Act 2006. No standards have been early adopted during the year.

The principal accounting policies applied in the preparation of these 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 provides the reader with supplemental data relating to the financial condition and results of operations. The Group presents profit for the year before any non-underlying items as this highlights more clearly trends in the Group's business and gives an indication of the Group's ongoing sustainable performance. Items of income and expense that are material by their size and/or nature are not considered to be incurred in the normal course of business and are classified as non-underlying items on the face of the income statement within their relevant category.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiary companies sold or acquired in the period 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.

The acquisition of subsidiary companies 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 18. 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.

Critical accounting judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The Group has considered and exercised judgements in evaluating the ongoing impact of COVID-19 on preparation of these financial statements. In addition to sources of estimation uncertainty, a number of areas have been impacted by COVID-19 as explained in note 2.

Going concern

In assessing whether the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Management's base case forecasts reflect the completed all-share acquisition of Refinitiv and draw down of the bridge financing facility to refinance Refinitiv's debt. The base case forecasts also reflect the impact of the disposal of the Borsa Italiana Group and the acquisition of GIACT Systems by Refinitiv, and the related transaction, separation, integration and financing/funding costs.

The Group's combined 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.

Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions or stress events. The forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing the financial statements.

To assess the Group's resilience to more adverse outcomes, its forecast performance was sensitised to reflect a reasonable worst-case downside scenario, causing a significant market dislocation and included the observed impact of the COVID pandemic on the business.

The Directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in the preparation of these financial statements.

Recent accounting developments

The following amendments have been endorsed by the EU and adopted in these financial statements:

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 3, 'Business Combinations'

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments to IFRS 9, IAS 39 & IFRS 7: Interest Rate Benchmark Reform

Amendments to IFRS 16 'Leases' Covid-19-Related Rent Concessions

The impact of adopting these amendments on the Group's financial results did not have a material impact on the results of the Group.

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC, but have not been adopted because they are not yet mandatory and the Group has not chosen to early adopt. The Group plans to adopt these standards and interpretations when they become effective and as applicable. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the following amendments and standards are not expected to have a material impact on the results of the Group.

International accounting standards and interpretations	Effective date
Amendments to IAS 1 'Presentation of Financial Statements' classification of liabilities	1 January 2023
Amendments to IFRS 3, IAS 16 and IAS 37 and Annual Improvements 2018-2020	1 January 2022
Amendments to IFRS 4 'Insurance Contracts' – deferral of IFRS 9	1 January 2021
Amendments to IFRS 9, IAS 39 & IFRS 7: Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 17, 'Insurance Contracts', including Amendments to IFRS 17	1 January 2023

2. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. A number of areas have been impacted by COVID-19 when exercising judgements and estimates and these are identified below.

Estimates:

For the year ended 31 December 2020, the following areas require the use of estimates:

Impairment of intangible assets, goodwill and investment in subsidiaries – these assets form a significant part of the balance sheet and are key assets for the Group's businesses. 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. The Group has reviewed the impact of COVID-19 on future cash flows along with the impact on the weighted average cost of capital applied to each cash generating unit and long-term growth rates. Following this review there was no direct impact to any cash generating units for COVID-19. Details are provided in note 11.

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. The value of the liabilities within the scheme have increased as the discount rates have fallen due to the global impact of COVID-19 on bond rates, but this has been offset by the growth in the assets leading to an overall growth in the Group's pension surplus.

Estimated service period for admission and listing services within the Primary Markets business – the Group determines the estimated period for admission services using historical analysis of listing durations in respect of the companies on our markets. The estimated service period inherently incorporates an element of uncertainty in relation to the length of a customer listing which is subject to factors outside of the Group's control. The estimated service periods are reassessed at each reporting date to ensure the period reflects the Group's best estimates. The Group estimates that a one year decrease in the deferral period would cause an estimated £22 million increase in revenue and a one year increase in the deferral period would cause an estimated £20 million decrease in revenue recognised in the year.

Expected credit losses - the Group has factored into impairment reviews of financial assets the expectations of future events including COVID-19. The measured lifetime expected credit losses associated with these assets have not been materially impacted. The Group continues to monitor events and review whether additional provisions will be required in future periods.

Judgements:

In preparing the financial statements for the year ended 31 December 2020, the following judgement has been made:

Clearing member trading assets and trading liabilities - The Group uses its judgement to carry out the offsetting within clearing member balances. The carrying values of the balances are offset at what the Group considers an appropriate level to arrive at the net balances reported in the balance sheet. The Group has an aligned approach for its CCP subsidiaries to ensure the principles applied are consistent across similar assets and liabilities. The approach is reviewed on a timely basis to ensure the approach used is the most appropriate.

Taxation
EU State Aid – The Group has used its judgement to assess any obligations arising in relation to EU State Aid investigations, considering the appeals made by the UK PLCs (including the Group), UK Government, and management's internal view. Additional details are provided in note 8.

US Tax Position – The Group has used its judgement in assessing the financial reporting implications of its ongoing discussions with the IRS in relation to its funding structure of its US subsidiaries. The Group has used guidance under IFRIC 23 "Uncertainty over Income Tax Treatments" to determine the possible outcomes and to assign a probability to each of those outcomes. Additional details are provided in note 8.

Lease terms – The Group uses its judgement when assessing the lease term of property assets where options exist to either extend or curtail the lease term. The Group takes into account the location and likely use of the property when making its judgement.

Italian group disposal – the Group has judged that due to the uncertainty surrounding the potential disposal of Borsa Italiana and its associated businesses (Italian group) the sale was not highly probable at 31 December 2020, and has therefore not been treated as a disposal group. The sale was dependent on the completion of the Refinitiv transaction, which itself was uncertain at 31 December 2020 and thus the Group determined that the sale while likely, was not highly probable. The Italian group will be treated as a discontinued operation in 2021 from the date the sale becomes highly probable (further details provided in note 19).

Pension assets – under current accounting standards, the Group judges that it can expect any remaining pension surplus to be refunded in full to the Group on the winding up of the schemes. It therefore continues to recognise these assets on the balance sheet.

3. Segmental information

The Group is organised into operating units based on its service lines and has five operating segments: Information Services, Post Trade Services, Capital Markets, Technology Services and Other. These segments generate revenue in the following areas:

- **Information Services** – Subscription and licence fees for data and index services provided;
- **Post Trade Services –** Fees based on CCP and clearing services provided, fees from settlement and custody service, non-cash collateral management and net interest earned on cash held for margin and default funds;
- **Capital Markets** – Admission fees from initial listing and further capital raises, annual fees charged for securities traded on the Group's markets, and fees from our secondary market services;
- **Technology Services** – Capital markets software licences and related IT infrastructure, network connection and server hosting services; and
- **Other** – Includes events and media services.

The Group has realigned its segmental reporting to reflect management structure changes so that all Post Trade Services are now combined in one operating segment. The new operating segment includes the previous segments of LCH Group and the Post Trade businesses in Italy, Monte Titoli and CC&G, as well as the results of UnaVista, which were previously included in the Information Services Division. There has been no impact on the allocation of goodwill and the cash generating units of LCH Group and Post Trade Services in Italy remain separate. The segmental results for the comparative period have been re-presented to align with the new structure. There is no change to the overall result.

The Executive Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Executive Committee primarily uses a measure of adjusted earnings before interest, tax, depreciation, and amortisation (EBITDA) to assess the performance of the operating segments.

Sales between segments are carried out at arm's length and are eliminated on consolidation.

Segmental disclosures for the year ended 31 December 2020 are as follows:

	Information Services	Post Trade Services	Capital Markets	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	**882**	**751**	**427**	**61**	**3**	**-**	**2,124**
Inter-segmental revenue	**-**	**-**	**-**	**22**	**-**	**(22)**	**-**
Revenue	**882**	**751**	**427**	**83**	**3**	**(22)**	**2,124**
Net treasury income from CCP clearing business	**-**	**319**	**-**	**-**	**-**	**-**	**319**
Other income	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Total income	**882**	**1,070**	**427**	**83**	**4**	**(22)**	**2,444**
Cost of sales	**(68)**	**(144)**	**(4)**	**(7)**	**(1)**	**-**	**(224)**
Gross profit	**814**	**926**	**423**	**76**	**3**	**(22)**	**2,220**
Share of loss after tax of associates	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**
Adjusted earnings before interest, tax, depreciation, amortisation and impairment	**510**	**571**	**220**	**42**	**3**	**(17)**	**1,329**
Underlying depreciation, amortisation and impairment	**(55)**	**(98)**	**(35)**	**(21)**	**(8)**	**6**	**(211)**
Adjusted operating profit/(loss) (before non-underlying items)	**455**	**473**	**185**	**21**	**(5)**	**(11)**	**1,118**
Amortisation and impairment of goodwill and purchased intangible assets							**(195)**
Other non-underlying items affecting operating profit (note 6)							**(168)**
Operating profit							**755**
Net finance expense (including non-underlying items)							**(70)**
Profit before tax							**685**

Revenue from external customers principally comprises fees for services rendered of £2,060 million (2019: £1,981 million) and Technology Services of £61 million (2019: £66 million).

Presented within revenue are net settlement expenses from the CCP clearing businesses of net £8 million (2019: nil) which comprise gross settlement income of £39 million (2019: £30 million) less gross settlement expense of £31 million (2019: £30 million).

Net treasury income
Net treasury income of £319 million (2019: £255 million) from the CCP clearing businesses comprises gross interest income of £766 million (2019: £1,337 million) less gross interest expense of £447 million (2019: £1,082 million).

The Group’s revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the year ended 31 December 2020 is shown below:

Revenue from external customers	**Information Services**	**Post Trade Services**	**Capital Markets**	**Technology Services**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Major product and service lines						
FTSE Russell Indexes - subscription	**443**	**-**	**-**	**-**	**-**	**443**
FTSE Russell Indexes - asset based	**225**	**-**	**-**	**-**	**-**	**225**
Real time data	**105**	**-**	**-**	**-**	**-**	**105**
Other information services	**109**	**-**	**-**	**-**	**-**	**109**
Clearing	**-**	**634**	**-**	**-**	**-**	**634**
Settlement, custody and other	**-**	**63**	**-**	**-**	**-**	**63**
UnaVista	**-**	**54**	**-**	**-**	**-**	**54**
Primary capital markets	**-**	**-**	**131**	**-**	**-**	**131**
Secondary capital markets - equities	**-**	**-**	**171**	**-**	**-**	**171**
Secondary capital markets - fixed income, derivatives and other	**-**	**-**	**125**	**-**	**-**	**125**
Capital markets software licences	**-**	**-**	**-**	**61**	**-**	**61**
Other	**-**	**-**	**-**	**-**	**3**	**3**
Total revenue from contracts with customers	**882**	**751**	**427**	**61**	**3**	**2,124**
Timing of revenue recognition						
Services satisfied at a point in time	**7**	**721**	**278**	**4**	**3**	**1,013**
Services satisfied over time	**875**	**30**	**149**	**57**	**-**	**1,111**
Total revenue from contracts with customers	**882**	**751**	**427**	**61**	**3**	**2,124**

Segmental disclosures for the year ended 31 December 2019 are as follows:

	Information Services £m	Post Trade Services £m	Capital Markets £m	Technology Services £m	Other £m	Eliminations £m	Group £m
Revenue from external customers	855	700	426	66	9	-	2,056
Inter-segmental revenue	-	-	-	17	-	(17)	-
Revenue	855	700	426	83	9	(17)	2,056
Net treasury income from CCP clearing business	-	255	-	-	-	-	255
Other income	-	-	-	-	3	-	3
Total income	855	955	426	83	12	(17)	2,314
Cost of sales	(72)	(122)	(5)	(7)	(4)	-	(210)
Gross profit	783	833	421	76	8	(17)	2,104
Income from equity investments	-	-	-	-	7	-	7
Share of loss after tax of associates	-	-	(1)	-	(6)	-	(7)
Earnings before interest, tax, depreciation, amortisation and impairment	483	501	228	55	4	(6)	1,265
Underlying depreciation, amortisation and impairment	(49)	(90)	(32)	(25)	(8)	4	(200)
Adjusted operating profit/(loss) (before non-underlying items)	434	411	196	30	(4)	(2)	1,065
Amortisation and impairment of goodwill and purchased intangible assets							(195)
Other non-underlying items affecting operating profit (note 6)							(132)
Operating profit							738
Net finance expense (including non-underlying items)							(87)
Profit before tax							651

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the year ended 31 December 2019 is shown below:

Revenue from external customers

Revenue from external customers	**Information Services £m**	**Post Trade Services £m**	**Capital Markets £m**	**Technology Services £m**	**Other £m**	**Group £m**
Major product and service lines						
FTSE Russell Indexes - subscription	418	-	-	-	-	418
FTSE Russell Indexes - asset based	231	-	-	-	-	231
Real time data	97	-	-	-	-	97
Other information services	109	-	-	-	-	109
Clearing	-	593	-	-	-	593
Settlement, custody and other	-	60	-	-	-	60
UnaVista	-	47	-	-	-	47
Primary capital markets	-	-	151	-	-	151
Secondary capital markets - equities	-	-	151	-	-	151
Secondary capital markets - fixed income, derivatives and other	-	-	124	-	-	124
Capital markets software licences	-	-	-	66	-	66
Other	-	-	-	-	9	9
Total revenue from contracts with customers	855	700	426	66	9	2,056
Timing of revenue recognition						
Services satisfied at a point in time	42	686	283	11	-	1,022
Services satisfied over time	813	14	143	55	9	1,034
Total revenue from contracts with customers	855	700	426	66	9	2,056

4. Expenses by nature

Expenses comprise the following:

	Notes	**2020** £m	**2019** £m
Employee costs	5	**564**	529
IT costs		**156**	146
Short-term lease costs		**-**	2
Lease costs for low value items		**1**	2
Other costs[1]		**159**	163
Foreign exchange losses/(gains)		**7**	(3)

Adjusted operating expenses before depreciation, amortisation and impairment		**887**	839
Non-underlying operating expenses before depreciation, amortisation and impairment	6	**168**	132
Operating expenses before depreciation, amortisation and impairment		**1,055**	**971**

[1]Other costs include £60 million in relation to professional fees (2019: £49 million).

5. Employee costs

Employee costs comprise the following:

	2020	2019
	£m	£m
Salaries and other benefits	**416**	397
Social security costs	**72**	71
Pension costs	**31**	26
Share-based compensation	**45**	35
Total	**564**	529

Employee costs include the costs of contract staff who are not on the payroll, but fulfil a similar role to employees.

The average number of employees in the Group from total operations was:

	2020	2019
UK	**1,829**	1,631
USA	**683**	664
Italy	**652**	643
France	**200**	185
Sri Lanka	**1,236**	1,082
Other	**619**	493
Total	**5,219**	4,698

Average staff numbers are calculated from the date of acquisition for subsidiary companies acquired in the year and up to the date of disposal for businesses disposed in the year.

6. Non-underlying items

	Note	2020 £m	2019 £m
Transaction costs		**173**	96
Restructuring costs		**-**	32
Restructuring credit		**(5)**	-
Integration costs		**-**	4
Non-underlying operating expenses before interest, tax, depreciation, amortisation and impairment		**168**	132
Amortisation of purchased intangible assets	11	**164**	180
Impairment of goodwill and purchased intangibles	11	**10**	15
Impairment of software		**21**	-
Non-underlying operating expenses before interest and tax		**363**	327
Non-underlying finance expense		**13**	16
Total non-underlying expenses included in profit before tax		**376**	343
Tax on non-underlying expenses:			
Deferred tax on amortisation of purchased intangible assets		**(21)**	(31)
Current tax on amortisation of purchased intangible assets		**(15)**	(11)
Tax on other items		**(23)**	(8)
		(59)	(50)
Total non-underlying charge to income statement		**317**	293

Transaction costs comprise charges incurred for services relating to the Refinitiv transaction and proposed disposal of the Borsa Italiana group.

Restructuring credit relates to the release of accruals recognised in relation to the cost savings programme announced in March 2019.

Integration costs in 2019 related to the activities to integrate the Mergent and Yield Book businesses into the Group.

Non underlying amortisation of purchased intangible assets includes accelerated amortisation of £10 million (2019: £25 million) in relation to the Mergent CGU (note 11).

The goodwill of the Mergent CGU was impaired by £10 million (2019: £6 million). In 2019 the goodwill of the Turquoise CGU was impaired by £8 million and purchased intangible assets by £1 million (note 11).

The software impairment of £21 million relates to asset write downs resulting from ongoing transactions.

Financing costs relate to fees for establishing a Bridge Financing facility to refinance the Refinitiv notes and term loans in full following completion of the Group's Refinitiv transaction. Further details of the facility are provided in note 14.

The tax impact of the Group's non-underlying items and its adjustment to income statements of the individual entities of the Group to which the non-underlying items relate, is computed based on the tax rates applicable to the respective territories in which the entity operates. There is no tax impact arising on non-underlying items which are neither taxable nor tax-deductible.

Non-underlying deferred tax includes deferred tax in relation to the amortisation of purchased intangible assets.

7. Net finance expense

	2020 £m	2019 £m
Finance income		
Expected return on defined benefit pension scheme assets	**1**	1
Bank deposit and other interest income	**4**	9
Other finance income	**2**	4
Underlying finance income	**7**	14
Finance expense		
Interest payable on bank and other borrowings	**(56)**	(73)
Lease interest payable	**(4)**	(4)
Other finance expenses	**(4)**	(8)
Underlying finance expense	**(64)**	(85)
Underlying net finance expense	**(57)**	(71)
Non-underlying finance expense	**(13)**	(16)
Net finance expense	**(70)**	(87)

Bank deposit and other interest income includes negative interest earned on the Group's borrowings. Interest payable includes amounts where the Group suffers negative interest on its cash deposits.

Other finance income includes amounts relating to the unwind of discount on net investments in leases. These amounts are immaterial.

During the year the Group recognised a total of £58 million (2019: £72 million) of underlying net interest expense on financial assets and financial liabilities held at amortised cost, comprising £6 million (2019: £13 million) gross finance income and £64 million (2019: £85 million) gross finance expense. Presented within finance income and finance expense are amounts in relation to defined benefit pension schemes which are measured at fair value.

8. Taxation

The standard UK corporation tax rate for the year was 19% (2019: 19%).

Taxation recognised in profit or loss	2020 £m	2019 £m
Current tax		
UK corporation tax for the year	**74**	84
Overseas tax for the year	**145**	134
Adjustments in respect of previous years	**4**	(3)
	223	215
Deferred tax		
Deferred tax for the year	**2**	2
Adjustments in respect of previous years	**(6)**	-
Deferred tax liability on amortisation and impairment of purchased intangible assets	**(21)**	(31)
	(25)	(29)
Taxation	**198**	186

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with relevant tax authorities.

Taxation on items not recognised in profit or loss	2020 £m	2019 £m
Current tax		
Tax allowance on share awards in excess of expense recognised	**12**	7
	12	7
Deferred tax		
Tax allowance on defined benefit pension scheme remeasurements	**1**	(2)
Tax allowance on share options/awards in excess of expense recognised	**(3)**	10
Tax on movement in fair value of financial assets	**(5)**	(5)
Adjustments relating to change in defined benefit pension tax rate	**-**	2
	5	12

Factors affecting the tax charge for the year

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%) as explained below:

	2020 £m	2019 £m
Profit before tax	**685**	651
Profit multiplied by standard rate of corporation tax in the UK	**130**	124
Expenses not deductible	**(5)**	9
Adjustment arising from change in tax rates	**(9)**	7
Overseas earnings taxed at higher rate	**70**	38
Adjustments in respect of previous years	**(2)**	(3)
Adjustment arising from changes in tax rates on amortisation of purchased intangible assets	**5**	4
Deferred tax provided for withholding tax on distributable reserves	**(1)**	2
Deferred tax not recognised	**10**	5
Taxation	**198**	186

On 22 July 2020, the Finance Act 2020 received Royal Assent enacting the UK corporation tax rate would remain at 19% from 1 April 2020 onward instead of reducing to 17%, the previously enacted rate. This has impacted the valuation of UK deferred tax balances giving rise to an increase in deferred tax assets of £2 million.

Following the UK budget on the 3 March 2021 and the announcement that the UK rate of corporation tax will increase from 19% to 25% effective 1 April 2023 with legal enactment of the new rate expected in 2021, the Group has assessed the impact on its deferred tax assets and liabilities unwinding post 1 April 2023. The Group expects that the higher rate would lead to additional deferred tax liabilities of £10 million should the change have been reflected in the balance sheet at 31 December 2020.

EU State Aid

The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company (CFC) regime was published. It concludes that the UK legislation up to December 2018 does partially represent illegal State Aid.

Both the Group, among a number of other UK PLCs, and the UK Government have submitted appeals to the EU General Court to annul the EU Commission's findings.

The UK Government is required to continue the process of recovering the State Aid whilst the decision is under appeal. HMRC issued its first round of determinations in December 2019, focusing on the financial year 2015 due to the expiry of statutory time limits. One of these determinations was issued to the Group and required one of its two affected subsidiaries to pay over £1.2 million to HMRC. At the same time the Group appealed to HMRC against the determination. As at 31 December 2020, no further determinations had been received. Subsequent to the year-end however, the Group received additional determinations from HMRC of £8.1 million excluding compound interest.

Under new recovery powers granted to HMRC, the Group must settle the additional amounts by 28 March 2021. This is also the deadline for filing any appeal against HMRC's decisions for issuing the determination. The Group will meet both of these deadlines.

The appeal against the determination to HMRC is likely to be stayed until the final outcome of all appeals to the EU Courts in respect of the EU Commission's original decision are known.

The issuance and settlement of any such determinations does not however change the Group's view that in light of the appeals made by UK PLCs (including the Group), the UK Government's own appeal, and in consideration of management's own internal view, no provision is required in relation to the investigation. Additionally, and in accordance with the provisions of IFRIC 23, the Group has continued to recognise a receivable against the HMRC determination paid in January 2020 and also intends to recognise a receivable against the new HMRC determination described above.

As previously disclosed, the Group has made claims under the CFC regime and still considers that the maximum potential amount of additional tax payable excluding compound interest remains between nil and £65 million depending on the basis of calculation.

IRS Audit

The Group is currently under audit in the US by the IRS in relation to the interest rate applied on certain cross border intercompany loans from the UK to the US. During the year the IRS issued a Notice of Proposed Adjustment (NOPA) which seeks to apply the safe haven rate under the US regulations to the interest charged on cross border loans.

The maximum exposure under the NOPA is $130 million, however this the upper bound of a range of nil to $130 million plus interest and penalties over the lifetime of the loans. The Group disagrees with the NOPA assessment and has sought legal advice to support its position that the safe haven rate is arbitrary and should not be sustained. The NOPA has been appealed by the Group and the audit is ongoing.

Other

The Group does not have any other uncertain tax positions as at 31 December 2020 (2019: nil).

9. Earnings per share

Earnings per share is presented on four bases: basic earnings per share, diluted earnings per share, adjusted basic earnings per share, and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities. Diluted earnings per share takes into account the dilutive effects that would arise on conversion or vesting of all outstanding share options and share awards under the Group's share option and award schemes. Adjusted basic earnings per share and adjusted diluted earnings per share exclude non-underlying items to enable a better comparison of the underlying earnings of the business with prior periods.

	2020	2019
Basic earnings per share	**120.3p**	119.5p
Diluted earnings per share	**118.9p**	118.1p
Adjusted basic earnings per share	**209.7p**	200.3p
Adjusted diluted earnings per share	**207.3p**	198.0p

Profit and adjusted profit for the year attributable to the Company's equity holders:

	2020 £m	2019 £m
Profit for the financial year attributable to the Company's equity holders	**421**	417
Adjustments		
Total non-underlying items net of tax (note 6)	**317**	293
Non-underlying items attributable to non-controlling interests	**(4)**	(11)
Adjusted profit for the year attributable to the Company's equity holders	**734**	699
Weighted average number of shares - millions	**350**	349
Effect of dilutive share options and awards - millions	**4**	4
Diluted weighted average number of shares - millions	**354**	353

The weighted average number of shares for the current year excludes those held in the Employee Benefit Trust. The weighted average number of shares for the prior year excludes those held in the Employee Benefit Trust and treasury shares held by the Group.

10. Dividends

	2020 £m	2019 £m
Final dividend for 31 December 2018 paid 29 May 2019: 43.2p per Ordinary share	**-**	151
Interim dividend for 31 December 2019 paid 17 September 2019: 20.1p per Ordinary share	**-**	70
Final dividend for 31 December 2019 paid 27 May 2020: 49.9p per Ordinary share	**175**	-
Interim dividend for 31 December 2020 paid 22 September 2020: 23.3p per Ordinary share	**82**	-
	257	221

Dividends are only paid out of available distributable reserves.

The Board has proposed a final dividend in respect of the year ended 31 December 2020 of 51.7p per share, which is estimated to amount to an expected payment of £417 million in May 2021. This is not reflected in the financial statements.

11. Intangible assets

		Purchased intangible assets				
	Goodwill	Customer and supplier relationships	Brands	Software, licences and intellectual property	Software and other	Total
Cost:	£m	£m	£m	£m	£m	£m
31 December 2018	2,447	1,892	1,005	582	872	6,798
Acquisition of subsidiaries	14	-	-	-	-	14
Additions	-	-	-	-	206	206
Disposals and write-off	-	(2)	(1)	(2)	(16)	(21)
Foreign exchange translation	(104)	(64)	(24)	(12)	(39)	(243)
31 December 2019	**2,357**	**1,826**	**980**	**568**	**1,023**	**6,754**
Additions	**-**	**-**	**-**	**-**	**221**	**221**
Disposals and write-off	**-**	**-**	**-**	**-**	**(18)**	**(18)**
Foreign exchange translation	**45**	**21**	**(27)**	**1**	**34**	**74**
31 December 2020	**2,402**	**1,847**	**953**	**569**	**1,260**	**7,031**
Accumulated amortisation and impairment:						
31 December 2018	528	662	197	304	420	2,111
Amortisation charge for the year	-	117	41	22	123	303
Impairment	14	1	-	-	9	24
Disposals and write-off	-	(2)	(1)	(2)	(14)	(19)
Foreign exchange translation	(27)	(26)	(5)	(6)	(22)	(86)
31 December 2019	**515**	**752**	**232**	**318**	**516**	**2,333**
Amortisation charge for the year	**-**	**101**	**40**	**23**	**139**	**303**
Impairment	**10**	**-**	**-**	**-**	**23**	**33**
Disposals and write-off	**-**	**-**	**-**	**-**	**(18)**	**(18)**
Foreign exchange translation	**21**	**15**	**(7)**	**4**	**23**	**56**
31 December 2020	**546**	**868**	**265**	**345**	**683**	**2,707**
Net book values						
31 December 2020	**1,856**	**979**	**688**	**224**	**577**	**4,324**
31 December 2019	1,842	1,074	748	250	507	4,421

Goodwill

There were no additions to goodwill in the current year.

In 2019, the Group acquired Beyond Ratings, which resulted in additions to goodwill of £14 million (note 18). Beyond Ratings was included in the FTSE Group CGU.

During the year, the fair value of the goodwill and purchased intangibles relating to the acquisition of Beyond Ratings were finalised, with no adjustment to the goodwill recognised required (note 18).

The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH Group, FTSE Group, MillenniumIT, the US Information Services Group and Turquoise.

Purchased intangible assets

The Group's purchased intangible assets include:

Customer and supplier relationships
These assets have been recognised on acquisition of major subsidiary companies by the Group. The amortisation periods remaining on these assets are between 6 to 22 years.

Following a reassessment of useful economic lives £10 million accelerated amortisation has been recognised in Customer and Supplier relationships in relation to Mergent Inc. In the prior year following a reassessment of useful economic lives the Group recognised £25 million acceleration of amortisation in relation to Mergent Inc.

Brands
Brand name assets have been recognised on a number of major acquisitions, including FTSE, LCH, Frank Russell, and Yield Book. Included within brands are trade names relating to Frank Russell Group of £491 million (2019: £538 million). Other assets are not individually material and the remaining amortisation periods on these assets are between 2 and 22 years.

Software, licences and intellectual property
These assets have been recognised on acquisition of subsidiary companies and have a remaining amortisation period of 1 to 17 years.

There are no other individual purchased intangible assets with a carrying value that is considered material to each asset class.

Internally developed software and other intangible assets

As a part of the business operating model the Group develops technology solutions where software products are developed internally, for use within the Group or to sell externally. These assets have a useful economic life of up to 12 years.

During the year, consideration for additions comprises £189 million (2019: £154 million) in cash additions relating to internally generated software of £203 million (2019: £176 million).

The cost of self-developed software products includes £188 million (2019: £100 million) representing assets not yet brought into use. No amortisation has been charged on these assets and instead they are tested for impairment annually.

Other amounts represent capitalised contract costs and right-of-use assets. These assets have a useful economic life of up to 7 years.

During the year the Group recognised additions of £10 million (2019: £21 million) as right-of-use assets, with a corresponding amortisation charge of £7 million (2019: £7 million).

Impairment tests for internally developed software and other intangible assets

Following a review of software assets in the year the Group recognised £23 million (2019: £9 million) impairment in relation to assets with a recoverable amount less than its value in use.

During the year the Group recognised disposals and write-offs of assets no longer in use of £18 million with nil net book value (2019: £16 million).

12. Financial assets and financial liabilities

Financial instruments by category

The financial instruments of the Group are categorised as follows:

Financial assets

31 December 2020	Amortised cost £m	Fair value through OCI £m	Fair value through profit or loss £m	Total £m
Clearing business financial assets:				
– Clearing member trading assets	98,736	-	632,699	**731,435**
– Other receivables from clearing members	2,484	-	-	**2,484**
– Other financial assets	-	24,591	-	**24,591**
– Clearing member cash and cash equivalents	83,011	-	-	**83,011**
	184,231	24,591	632,699	**841,521**
Trade and other receivables	544	-	5	**549**
Cash and cash equivalents	1,785	-	-	**1,785**
Investments in financial assets - debt instruments	-	111	-	**111**
Investments in financial assets - equity instruments	-	261	-	**261**
Total	**186,560**	**24,963**	**632,704**	**844,227**

There were no transfers between categories during the year.

Prepayments and contract assets within trade and other receivables are not classified as financial instruments.

Financial liabilities

31 December 2020	Amortised cost £m	Fair value through profit and loss £m	Total £m
Clearing business financial liabilities:			
– Clearing member trading liabilities	98,736	632,699	**731,435**
– Other payables to clearing members	110,118	-	**110,118**
	208,854	632,699	**841,553**
Trade and other payables	747	-	**747**
Borrowings	1,951	-	**1,951**
Derivative financial instruments	-	17	**17**
Total	**211,552**	**632,716**	**844,268**

There were no transfers between categories during the year.

Social security and other tax liabilities within trade and other payables, and contract liabilities are not classified as financial instruments. Accruals reflect obligations for which the invoice has not been received and are included within financial liabilities.

The financial instruments of the Group for the prior year were as follows:

Financial assets

31 December 2019	Amortised cost £m	Fair value through OCI £m	Fair value through profit or loss £m	Total £m
Clearing business financial assets:				
– Clearing member trading assets	122,299	-	574,889	697,188
– Other receivables from clearing members	8,330	-	-	8,330
– Other financial assets	-	23,576	-	23,576
– Clearing member cash and cash equivalents	67,118	-	-	67,118
	197,747	23,576	574,889	796,212
Trade and other receivables	521	-	5	526
Cash and cash equivalents	1,493	-	-	1,493
Investments in financial assets - debt instruments	-	106	-	106
Investments in financial assets - equity instruments	-	241	-	241
Derivative financial instruments	-	-	2	2
Total	199,761	23,923	574,896	798,580

Prepayments and contract assets within trade and other receivables are not classified as financial instruments.

Financial liabilities

31 December 2019	Amortised cost £m	Fair value through profit or loss £m	Total £m
Clearing business financial liabilities:			
– Clearing member trading liabilities	122,299	574,889	697,188
– Other payables to clearing members	98,914	-	98,914
	221,213	574,889	796,102
Trade and other payables	747	-	747
Borrowings	2,085	-	2,085
Derivative financial instruments	-	40	40
Total	224,045	574,929	798,974

Social security and other tax liabilities within trade and other payables are not classified as financial instruments.

13. Borrowings

	2020	2019
	£m	£m
Current		
Bank borrowings	**135**	256
Commercial paper	**170**	256
Bonds	**300**	-
	605	512
Non-current		
Bonds	**1,347**	1,573
Trade finance loans	**1**	-
Bank borrowings	**(2)**	-
	1,346	1,573
Total	**1,951**	2,085

The Group's £300 million bond issued in 2012 is due for repayment in November 2021.

The Group has the following committed bank facilities and unsecured notes:

Type	Expiry date	Notes/facility £m	Carrying value at 31 December 2020 £m	Interest rate percentage at 31 December 2020 %
Dual-currency bridge facility	Jan 2022[1]	8,156	**(8)**	LIBOR + 0.3
Multi-currency revolving credit facility	Nov 2022[2]	600 / 0	**6**	LIBOR + 0.45
Multi-currency revolving credit facility	Dec 2024[3]	600 / 1,425	**138**	LIBOR + 0.30
Multi-currency revolving credit facility	Dec 2025[4]	0 / 1075	**(1)**	LIBOR + 0.475
Committed bank facilities			**135**	
Commercial paper[5]	Jan 2020	170	**170**	(0.380)
€500 million term loan	Dec 2023[6]	451	**-**	LIBOR + 0.725
$2,000 million term loan	Dec 2023[6]	1,468	**(2)**	LIBOR + 0.725
Committed term loans			**(2)**	
£300 million bond, issued November 2012	Nov 2021	300	**300**	4.750
€500 million bond, issued September 2017	Sep 2024	451	**450**	0.875
€500 million bond, issued December 2018	Dec 2027	451	**448**	1.750
€500 million bond, issued September 2017	Sep 2029	451	**449**	1.750
Bonds			**1,647**	
Total committed facilities and unsecured notes			**1,950**	

[1] Terminates January 2022, with an option to extend for a further 6 months.
[2] This facility is to be cancelled at the time of the Refinitiv acquisition and replaced with a new £1,075m 5 year facility.
[3] This facility will be amended to increase the facility limit to £1,425m at the time of the Refinitiv deal close.
[4] This facility will become effective when the Refinitiv acquisition closes and will replace the £600m facility maturing in November 2022.
[5] The Commercial paper interest rate reflected is the average interest rate achieved on the outstanding issuances.
[6] These term loan facilities will be effective at the time of the Refinitiv acquisition and partially replace and term out the bridge facilities.

Committed bank facilities

Revolving credit facilities

The Group retained its total committed revolving credit bank facilities of £1,200 million throughout the period. In December 2020, the Group arranged an additional £1,075 million syndicated committed facility agreement to replace the £600 million facility maturing in November 2022, and signed an Amendment and Restatement agreement which increases the £600 million Revolving Credit Facility agreement maturing in December 2024 to £1,425 million. These new facility arrangements will become effective at the time of the Refinitiv deal close. The revolving credit facilities were partially drawn at 31 December 2020 with a carrying value of £143 million (2019: £264 million).

Bridge facility

In December 2020 the Group resized its US$9.325 billion and €3.58 billion Bridge Facilities to US$7.325 billion and €3.08 billion (£8.156 billion), and partially replaced them with 3 year term loan facilities of US$2 billion and €500 million, which become effective at the time of the Refinitiv acquisition. The Bridge Facility remained undrawn, but has a carrying value of £(8) million (2019: £(8) million) which represents deferred arrangement fees.

Commercial paper

The Group maintained its £1 billion Euro Commercial Paper Programme. Outstanding issuances at 31 December 2020 of €188 million (£170 million) (2019: €300 million (£256 million)) may be reissued upon maturity in line with the Group's liquidity requirements.

Term loan facilities

In December 2020, the group arranged US$2 billion and €500 million 3 year term loan facilities which become effective at the time of the Refinitiv acquisition and mature in December 2023. The term loans are undrawn at the year end, but had a carrying value of £(2) million which represents deferred arrangement fees.

Bonds

In November 2012, the Group issued a £300 million bond under its Euro Medium-Term Notes Programme 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.

In September 2017, the Group issued €1 billion of bonds in two €500 million (£451 million) tranches under its updated Euro Medium-Term Notes Programme. The bonds are unsecured and the tranches are due for repayment in September 2024 and September 2029 respectively. Interest is paid annually in arrears in September each year. The issue prices of the bonds were €99.602 per €100 nominal for the 2024 tranche and €99.507 per €100 nominal for the 2029 tranche.

In December 2018, the Group issued a €500 million (£451 million) bond under its updated Euro Medium-Term Notes Programme. The bond is unsecured and due for repayment in December 2027. Interest is paid annually in arrears in December each year. The issue price was €99.547 per €100 nominal.

Other

Cassa di Compensazione e Garanzia S.p.A. (CC&G) has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged commercial bank back-up credit lines with a number of commercial banks, which total €420 million at 31 December 2020 (2019: €420 million), for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH SA has a French banking licence and is able to access refinancing at the European Central Bank to support its liquidity position. LCH Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position, and has direct access to certain central bank facilities to support its liquidity risk management in accordance with the requirements under the EMIR. In accordance with the Committee on Payments and Market Infrastructures (CPMI), International Organization of Securities Commissions (IOSCO) and Principles for Financial Market Infrastructures (PFMIs), many Central Banks now provide for CCPs to apply for access to certain Central Bank facilities.

During the year, the Group entered into a sale and leaseback arrangement which is classified as a trade finance loan. Under this arrangement, the Group borrowed £1 million, repayable over three years at an effective interest rate of 7.3%.

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.

Fair values

The fair values of the Group's borrowings are as follows:

	2020		2019	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	£m	**£m**	**£m**	**£m**
Borrowings				
- within 1 year	**605**	**616**	512	512
- after more than 1 year	**1,346**	**1,466**	1,573	1,676
	1,951	**2,082**	2,085	2,188

Bonds are classified as Level 1 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. Bond fair values are as quoted in the relevant fixed income markets.

Bank borrowings and commercial paper are classified as Level 2 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. The fair values of these instruments are based on discounted cash flows using a rate based on borrowing cost. Bank borrowings bear interest at an appropriate inter-bank reference rate plus and agreed margin, and commercial paper attracts interest at a negotiated rate at the time of issuance.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2020			2019		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**421**	**-**	**421**	420	-	420
Euro	**1,530**	**(613)**	**917**	1,557	(637)	920
US dollar	**-**	**613**	**613**	108	637	745
Total	**1,951**	**-**	**1,951**	2,085	-	2,085

14. Analysis of net debt

Group net debt comprises cash and cash equivalents less interest bearing loans and borrowings and derivative financial instruments.

	2020 £m	2019 £m
Due within 1 year:		
Cash and cash equivalents	**1,785**	1,493
Bank borrowings	**(135)**	(256)
Commercial paper	**(170)**	(256)
Bonds	**(300)**	-
Derivative financial assets	**-**	2
Derivative financial liabilities	**(6)**	(1)
	1,174	982
Due after 1 year:		
Bank borrowings and trade finance loans	**1**	-
Bonds	**(1,347)**	(1,573)
Derivative financial liabilities	**(11)**	(39)
Net debt	**(183)**	(630)

Reconciliation of net cash flow to movement in net debt

	2020 £m	2019 £m
Increase/(decrease) in cash and cash equivalents	**237**	57
Net repayments made towards commercial paper	**101**	-
Additional drawdowns from bank credit facilities	**(4)**	(261)
Repayments made towards bank credit facilities	**127**	35
Trade finance loans received	**(1)**	-
Repayment of bonds	**-**	250
Change in net debt resulting from cash flows	**460**	81
Foreign exchange	**(36)**	14
Movement on derivative financial assets and liabilities	**21**	9
Bond valuation adjustment	**-**	(2)
Movement in bank credit facility arrangement fees	**2**	8
Net debt at 1 January	**(630)**	(740)
Net debt at 31 December	**(183)**	(630)

15. Share capital and share premium

Ordinary shares issued and fully paid

	Number of shares	Ordinary shares [1]	Share premium	Total
	millions	£m	£m	£m
1 January 2019	351	24	965	989
Issue of shares to the Employee Benefit Trust	-	-	2	2
31 December 2019	351	24	967	991
Issue of shares to the Employee Benefit Trust	**-**	**-**	**4**	**4**
31 December 2020	**351**	**24**	**971**	**995**

[1] Ordinary shares of 6 $^{79/86}$ pence

The Board approved the allotment and issue of 775,000 ordinary shares at par and a further 139,970 ordinary shares at a price of 3,111 pence to the Employee Benefit Trust (2019: 68,020 ordinary shares of par value 6 $^{79/86}$ pence at 2,238 pence), to settle employee 'Save As You Earn' share plans. This generated a premium of £4 million (2019: £2 million).

The Ordinary Share Capital of 351 million shares in the current and prior years do not include treasury shares.

16. Net cash flow generated from operations

	Notes	2020 £m	2019 £m
Profit before tax		**685**	651
Adjustments for depreciation, amortisation and impairments:			
Depreciation and amortisation	11	**372**	369
Impairment of software and intangible assets	11	**33**	24
Impairment of property, plant and equipment		**-**	2
Adjustments for other non-cash items:			
Loss on disposal of property, plant and equipment		**1**	-
Loss on disposal of intangible assets		**-**	2
Share of loss of associates		**4**	7
Net finance expense [1]	7	**71**	87
Share scheme expenses	5	**49**	35
Royalties		**1**	1
Movements in pensions and provisions		**(32)**	(2)
Net foreign exchange differences		**(6)**	(27)
Research and development tax credit		**-**	(1)
(Increase)/decrease in receivables and contract assets		**(42)**	203
(Decrease)/increase in payables and contract liabilities		**(45)**	37
Movement in other assets and liabilities relating to operations:			
(Increase)/decrease in clearing member financial assets		**(3,635)**	6,525
Increase/(decrease) in clearing member financial liabilities		**3,818**	(6,796)
Movements in derivative assets and liabilities		**9**	(28)
Cash generated from operations		**1,283**	**1,089**

[1] excludes items related to pension and provisions

17. Commitments and contingencies

As at 31 December 2020, the Group had commitments of £18 million for professional fees relating to the merger with Refinitiv. The amounts were payable on the successful completion of the merger (31 December 2019: nil).

The Group has commitments of £19 million for professional fees relating to the proposed divestment of Borsa Italiana. The amounts are payable on the successful completion of the divestment (31 December 2019: nil).

As at 31 December 2020, the Group had a commitment of £8 million in relation to its investment in PrimaryBid (see note 19).

In the normal course of business, the Group 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, a provision is made representing the expected cost of settling such claims.

18. Business combinations

Acquisitions in the year to 31 December 2020

There were no acquisitions in the year.

Acquisitions in the year to 31 December 2019

On 31 May 2019, the Group acquired 100% of Beyond Ratings, a provider of financial analysis that includes Environmental, Social and Governance criteria based in France. The consideration of £14 million (€15 million) cash was paid in two instalments during the year.

The Group has completed its fair value review of the business acquired and considers that the fair value of the assets acquired was immaterial and has therefore concluded that the total value of the consideration should be regarded as goodwill. The business is highly complementary to the Group's existing business and there is expected to be future cash flow growth from the combined business.

19. Events after the reporting period

Business combination after the reporting date

On the 29 January 2021, the Group completed the acquisition of Refinitiv Parent Limited (Refinitiv Parent), a company incorporated in the Cayman Islands and headquartered in London and New York. Refinitiv is a leading global provider of market and financial data and infrastructure, delivering data, insight and analytics tailored to strategic workflows.

Refinitiv Parent holds an approximate 52% economic interest in Tradeweb Markets Inc. and its subsidiaries. Tradeweb Markets Inc. (Tradeweb) is a Delaware company and the holding company of Tradeweb Markets LLC, which offers electronic marketplaces for trading fixed income, derivatives, money market and equity products. Tradeweb operates as a standalone, publicly listed entity.

Under the terms of the Stock Purchase Agreement, LSEG plc (directly and through certain wholly owned subsidiaries) acquired the entire issued share capital of Refinitiv Parent and, in exchange, LSEG plc issued 204,225,968 shares (comprising 136,870,442 listed LSEG ordinary shares; and 67,355,526 unlisted LSEG limited-voting ordinary shares). The limited-voting ordinary shares rank pari passu with the LSEG ordinary shares. Based on LSEG plc's issued share capital as at completion, the total shares amounted to an economic interest in LSEG plc of approximately 37%; and less than 30% of the total voting rights in LSEG plc.

Of the total number of shares issued, 179,610,123 shares were issued on 29 January 2021 and the remaining 24,615,845 shares were issued on 1 March 2021. Assuming an equivalent value for each listed LSEG ordinary share and each unlisted LSEG limited-voting ordinary share, upon issue, the total value of the shares was £17.5 billion[1].

On Completion, the Group refinanced Refinitiv third-party debt by drawing down $9.936 billion and €3.629 billion under the Bridge Facility, term loan, and the new and amended multi-currency revolving credit facilities. Further details of the facilities are provided in note 13.

The acquisition of Refinitiv is a transformational transaction, strategically and financially, and positions the Group for long-term sustainable growth. Refinitiv brings highly complementary capabilities in data, analytics and capital markets.

The combination of LSEG and Refinitiv will deliver significant benefits for customers, and in particular to:

- transform LSEG's position and create a global financial markets infrastructure leader of the future;
- strengthen LSEG's global footprint and accelerate its successful growth strategy across multiple key financial centres and jurisdictions, including in North America (the world's largest financial market), Asia and fast-growing emerging markets;
- significantly enhance LSEG's customer proposition in data and analytics, utilising the Combined Business' intellectual property to offer innovative new services;
- complement LSEG's existing multi-asset class growth strategy to create a global multi-asset class capital markets business with the addition of high-growth foreign exchange and fixed income venues; and
- deepen and expand LSEG's and Refinitiv's shared core principles of open access and customer partnership.

The Group is currently completing the steps in applying the acquisition method in terms of IFRS 3 Business Combinations, to determine what is part of the business combination transaction, to recognise and measure the identified net assets acquired and non-controlling interests; and to determine the consideration transferred.

However, given the size of the transaction and the short period of time between the completion and the date when the Annual Report is authorised for issue, the Group is unable to reasonably estimate and determine the:

- fair value of the consideration transferred;
- fair value of the net assets acquired;
- non-controlling interests in Refinitiv; and
- resulting goodwill.

As part of the fair value exercise the Group will consider the recognition criteria in terms of IFRS 3 and may identify the following classes of purchased intangible assets:

- Customer contracts and relationships;
- Technology – acquired software;
- Technology – internally developed;
- Databases and content;
- Licences; and
- Trade names.

The Group has 12 months from the date of acquisition to complete the valuation exercise.

[1] *Calculated by reference to the opening share price of LSEG ordinary shares on 29 January 2021 (£83.94) and 1 March 2021 (£96.90).*

Disposal after the reporting date

As a result of the completion of the Refinitiv acquisition, the disposal of the Italian Group for €4.325 billion (£3.9 billion) is expected to complete in the first half of 2021. The Italian Group will represent a disposal group and a discontinued operation within the Group's Interim results.

Other investments

The Group invested a further £5 million in PrimaryBid on 3 February 2021 as part of its commitment to invest a total of £10 million in the company.