Independent Auditor's Report to the members of London Stock Exchange Group plc

Our opinion on the financial statements

In our opinion:

– London Stock Exchange Group plc's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended

– the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union

– the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006

– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation

What we have audited

London Stock Exchange Group plc's financial statements comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2015	Balance sheet as at 31 December 2015
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 35 to the financial statements
Consolidated cash flow statement for the year then ended	
Related notes 1 to 35 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Risks of material misstatement	– Risk that goodwill and purchased intangible assets may be impaired – Risk of fraud in recognition of revenue in: • secondary capital markets trading • new or updated post-trade clearing arrangements including fee-sharing arrangements • information services audit revenue accruals – In executing our audit response to the above risks of material misstatement, we also considered the risk of fraud in relation to management override of controls particularly post close adjustments and significant areas of accounting estimate
Audit scope	– We performed an audit of the complete financial information of 6 components and audit procedures on specific balances for a further 18 components – The components where we performed full or specific audit procedures accounted for more than 90% of Group pre-tax profit, revenue and total assets
Materiality	– Overall Group materiality is £18.3 million which represents 5% of pre-tax profit from continuing operations calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-recurring items

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

RISK	OUR RESPONSE TO THE RISK	WHAT WE CONCLUDED TO THE AUDIT COMMITTEE
Risk that goodwill and purchased intangible assets may be impaired Balance of £3.5 billion, prior period comparative £4.3 billion The Group holds significant intangible assets on its balance sheet, including goodwill, customer relationships, brands, software licenses, and intellectual property. On an annual basis, management are required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of purchased intangible assets. Where indicators of impairment of purchased intangible assets are identified, a full impairment assessment is performed. These assessments involve significant management judgment in the application of valuation models and assumptions. As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management. Please refer to the Audit Committee Report (page 66); Accounting policies (page 105); and Note 14 of the Consolidated Financial Statements (pages 122–124). The risk has neither increased or decreased in the current year.	**Audit procedures over the risk that goodwill may be impaired** We performed a walkthrough of the impairment assessment process and assessed the design effectiveness of key controls. We examined the cash flow forecasts which support management's goodwill impairment review and tested compliance with the requirements of IAS 36 'Impairment of Assets'. We assessed the reasonableness of those forecasts and the evidence supporting the underlying assumptions, by comparing to approved budgets, considering prior budget accuracy, and comparing expected growth rates to relevant market expectations. We tested the discount rates assigned to the cash generating units, as well as the long-term growth rates, with reference to our understanding of the business, comparisons to other similar companies, broader market considerations as well as economic and industry forecasts where appropriate. We considered evidence available to support the discount rates used, and consistency with findings from other areas of the audit, and engaged EY valuation experts to support us in performing our analysis. During the course of our work, we tested and applied reasonable alternative assumptions in the application of the valuation methodologies, to challenge management's approach, and to test for impairment of the goodwill balance. We also performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill at the balance sheet date. **Audit procedures over the risk that other intangible assets may be impaired** We performed a walkthrough of the impairment assessment process and assessed the design effectiveness of key controls. We tested management's assessment as to whether indicators of impairment exist, by reference to factors specific to each class of assets (no such indicators were identified). Examples included customer retention rates within specific business lines and the current returns made on intellectual property. We also assessed the appropriateness of the amortisation period, and compared management's forecasts against historic data, to understand whether the periods remained appropriate. We performed full and specific scope audit procedures over this risk area in 5 components, which covered 98% of the risk amount.	**Audit procedures over the risk that goodwill may be impaired** Our application of sensitivity analysis over significant inputs to the impairment assessment did not lead us to conclude that goodwill was materially impaired as at 31 December 2015. **Audit procedures over the risk that purchased intangible assets may be impaired** Our procedures did not identify any additional factors that would lead to the need to perform a full impairment assessment, or a revision of the amortisation periods applied. We concluded that the carrying value of purchased intangible assets is materially correct as at 31 December 2015.

Independent Auditor's Report to the members of London Stock Exchange Group plc continued

RISK	OUR RESPONSE TO THE RISK	WHAT WE CONCLUDED TO THE AUDIT COMMITTEE
Risk of fraud in recognition of revenue in secondary capital markets trading, fees or revenue shares for clearing arrangements, and information services audit revenue accruals Balance of £1.24 billion, prior period comparative £0.83 billion Compensation tied to the performance of the entity may create an incentive for management to manipulate results. We have identified 3 revenue streams as having heightened risk of misstatement. They were selected for the following reasons: – Secondary capital markets revenue involves complex pricing structures based on product types, customer activity and volumes. This complexity leads to a heightened risk that revenue may not be recognised appropriately, either as a result of fraud or error – Contracts relating to new or revised clearing agreements, including revenue sharing between LCH.Clearnet and third-party participants, in some cases involve complex calculations to determine the correct level of revenue to recognise within the Group – Information services audit accruals involve judgment as to when and how much revenue should be accrued, and there were errors identified in the prior period audit in this area Please refer to the Audit Committee Report (page 66); Accounting policies (page 104); and Note 4 of the Consolidated Financial Statements (pages 113–114). The risk has neither increased or decreased in the current year.	**Audit procedures over revenue in secondary capital markets trading** We performed a walkthrough of the secondary capital markets trading process and assessed the design effectiveness of key controls. We increased our standard sample size for transactional testing by at least 3 times, to respond to this risk of fraud. We agreed a random selection of transactions back to supporting audit evidence, such as receipt of cash and invoices; where appropriate, we also recalculated the fee charged. For secondary capital market trades in London, we also used analytical tools to identify outliers in high volumes of transactional data for focused follow-up testing. This analysis included comparing the fee per transaction to volume (notional) traded and investigating any particularly high values which were outliers to the overall population. We also performed cut-off testing to obtain evidence that revenue is recognised in the correct period. **Audit procedures over new/revised (including revenue sharing) clearing arrangements** We performed a walkthrough of the fee and revenue shares clearing arrangement process, and performed testing of the operating effectiveness of key controls. We critically assessed the accounting treatment adopted by management, and performed testing to gain assurance that revenue recognised in the period in respect of all new/updated clearing agreements had been accounted for in accordance with the terms of the contractual terms and in compliance with IFRS. We performed sample testing of contracts along with a random selection of other contracts across revenue streams. **Audit procedures over information services audit revenue accruals** We performed a walkthrough of the information services audit revenue accruals process and assessed the design effectiveness of key controls. We selected a sample of audit accruals using a lower testing threshold as compared to normal revenue transaction testing, and obtained supporting evidence, including customer input/consent, for accrued amounts. We performed full and specific scope audit procedures over this risk area in 10 components, which covered 99% of the risk amount.	**Conclusion** We concluded that the revenue in secondary capital markets trading, fees or revenue shares for clearing arrangements, and information services audit revenue accruals for the year ended 31 December 2015 are materially correct.

In the prior period, our Auditor's Report included a risk of material misstatement in relation to the accounting for the acquisition of Frank Russell Company. This risk has been removed as the acquisition occurred in the prior period.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal Audit findings when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to make sure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 24 components. Of the 24 components selected, we performed an audit of the complete financial information of 6 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 18 components ("specific scope components"), we performed audit procedures on specific accounts within each component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Scope	Procedures performed by	Number of components
Full	Primary team	3
Full	Component teams	3
Specific	Primary team	17
Specific	Component teams	1
	Total	24

Details of the 4 components which were audited by component teams are set out below:

Component	Location	Scope	Auditor
LCH.Clearnet Group Limited	United Kingdom and France	Full	EY
LSEG US Holdco Inc.	United States of America	Full	Non-EY[1]
Millennium Information Technologies (Private) Limited	Sri Lanka	Specific	EY
London Stock Exchange Group Holdings Italy S.p.A.	Italy	Full	EY

[1] Some specific accounts within LSEG US Holdco Inc. were audited by the EY primary auditor.

Components subject to a full scope audit account for over 90% of the Group's revenue, profit before tax and profit before tax before and after the reversal of the transaction costs noted above (2014: over 90%).

The remaining 32 components together represent 1% of the Group's pre-tax profit from continuing operations calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-recurring items. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year
There are no changes in full scope components from the prior period. Specific scope components have been re-assessed as the contribution of such components to the Group consolidated accounts varies each year.

Involvement with component teams
In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors operating under our instruction.

For the 3 full-scope and 1 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to make sure that the Senior Statutory Auditor visits the principal locations of the Group. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in:

- Italy (LSEG Holdings Italy S.p.A.)
- Sri Lanka (Millennium Information Technologies (Private) Limited)
- United States of America (LSEG US Holdco, Inc)

These visits involved discussing the audit approach with the component team and any issues arising from their work, as well as meeting with local management. In addition, we participated in planning and closing meetings and reviewed selected audit working papers. The primary team interacted regularly with the component teams where appropriate during various stages of the audit and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

- We determined materiality for the Group to be £18.4 million (2014: £12 million), which is 5% (2014: 5%) of pre-tax profit from continuing operations calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-recurring items. Our reference to continuing operations only meant that the results of the Russell Investment Management business which is held for sale at year end and that of the Proquote business which was sold during the year, were not included
- We consider the basis of our materiality to be one of the principal considerations for shareholders of the Company in assessing the financial performance of the Group. It is linked to the key earnings measures discussed when the Group presents the financial results; in addition to non-recurring expenses, the Group also excludes amortisation and impairment of purchased intangibles and goodwill to present adjusted operating profit (these amounts are not excluded from our materiality calculation)

  This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. Our evaluation of materiality requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.

STARTING BASIS	– £336.1 million – Profit before taxes from continuing operations
ADJUSTMENTS	– £30.7 million – Non-recurring items, mostly related to the acquisition, integration and restructuring of Frank Russell Company
MATERIALITY	– Total of £366.8 million – Materiality of £18.3 million (5% of materaility basis)

During the course of our audit, we reassessed initial materiality and made adjustments based on the final financial performance of the Group.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2014: 50%) of our planning materiality, namely £9.2 million (2014: £6 million). We have set performance materiality at this percentage (which is the lowest in the range) due to misstatements which were identified in the prior period audit. In the prior period, performance materiality was also set at 50% of planning materiality, due to it being our initial audit of the Group.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

In the current year, the range of performance materiality allocated to components was as follows:

London Stock Exchange Group plc	£1.0m
London Stock Exchange plc	£5.6m
LSEG US Holdco, Inc	£4.7m
London Stock Exchange Group Holdings Italy S.p.A.	£5.1m
LCH.Clearnet Group Ltd	£3.1m
FTSE International Ltd	£4.6m
All specific scope components	£1.0m

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.5 million (2014: £0.5 million), which is less than the usual 5% of planning materiality at the request of the Audit Committee, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 91, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

– the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: – adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or – the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or – certain disclosures of Directors' remuneration specified by law are not made; or – we have not received all the information and explanations we require for our audit	We have no exceptions to report.

Listing Rules review requirements	We are required to review: – the Directors’ statement in relation to going concern, set out on page 91, and longer-term viability, set out on page 90 – the part of the Corporate Governance Statement relating to the company’s compliance with the provisions of the UK Corporate Governance Code specified for our review	We have no exceptions to report.

Statement on the Directors’ Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: – the Directors’ confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity – the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated – the Directors’ statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity’s ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements – the Directors’ explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions	We have nothing material to add or to draw attention to.

Ernst & Young LLP

David Canning-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
4 March 2016

Notes:

1. The maintenance and integrity of the London Stock Exchange Group plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

Year ended 31 December 2015	Notes	Year ended 31 December 2015 Before acquisition amortisation and non-recurring items £m	Year ended 31 December 2015 Acquisition amortisation and non-recurring items £m	Year ended 31 December 2015 Total £m	Period ended 31 December 2014 Before acquisition amortisation and non-recurring items £m Re-presented[1, 2]	Period ended 31 December 2014 Acquisition amortisation and non-recurring items £m Re-presented[1]	Period ended 31 December 2014 Total £m Re-presented[1, 2]
Continuing operations							
Revenue	4	**1,324.7**	**–**	**1,324.7**	884.7	–	884.7
Net treasury income through CCP business	4	**85.7**	**–**	**85.7**	69.1	–	69.1
Other income	4	**8.2**	**–**	**8.2**	3.5	–	3.5
Total income		**1,418.6**	**–**	**1,418.6**	957.3	–	957.3
Cost of sales	4	**(125.5)**	**–**	**(125.5)**	(69.4)	–	(69.4)
Gross profit		**1,293.1**	**–**	**1,293.1**	887.9	–	887.9
Expenses							
Operating expenses	5, 7	**(708.4)**	**(180.8)**	**(889.2)**	(482.4)	(150.3)	(632.7)
Impairment of purchased intangibles and goodwill	5, 7	**–**	**–**	**–**	–	(22.0)	(22.0)
Gain on disposal of assets held for sale	5, 7	**–**	**0.5**	**0.5**	–	–	–
Operating profit/(loss)	7	**584.7**	**(180.3)**	**404.4**	405.5	(172.3)	233.2
Finance income		**2.9**	**–**	**2.9**	2.2	–	2.2
Finance expense		**(71.2)**	**–**	**(71.2)**	(51.5)	(1.8)	(53.3)
Net finance expense	8	**(68.3)**	**–**	**(68.3)**	(49.3)	(1.8)	(51.1)
Profit/(loss) before tax from continuing operations		**516.4**	**(180.3)**	**336.1**	356.2	(174.1)	182.1
Taxation	9	**(124.1)**	**76.0**	**(48.1)**	(91.1)	40.0	(51.1)
Profit/(loss) for the year/period from continuing operations		**392.3**	**(104.3)**	**288.0**	265.1	(134.1)	131.0
Discontinued operations							
Profit/(loss) after tax for the year/period from discontinued operations	10	**90.8**	**(21.7)**	**69.1**	8.8	(2.4)	6.4
Profit/(loss) for the year/period		**483.1**	**(126.0)**	**357.1**	273.9	(136.5)	137.4
Equity holders							
Profit/(loss) for the year/period from continuing operations		**358.7**	**(99.1)**	**259.6**	236.9	(120.3)	116.6
Profit/(loss) for the year/period from discontinued operations	10	**90.4**	**(21.7)**	**68.7**	8.8	(2.4)	6.4
Profit/(loss) for the year/period attributable to equity holders		**449.1**	**(120.8)**	**328.3**	245.7	(122.7)	123.0
Non-controlling interests							
Profit/(loss) for the year/period attributable to non-controlling interests from continuing operations		**33.6**	**(5.2)**	**28.4**	28.2	(13.8)	14.4
Profit for the year/period attributable to non-controlling interests from discontinued operations	10	**0.4**	**–**	**0.4**	–	–	–
Profit/(loss) for the year/period attributable to non-controlling interests		**34.0**	**(5.2)**	**28.8**	28.2	(13.8)	14.4
		483.1	**(126.0)**	**357.1**	273.9	(136.5)	137.4
Earnings per share attributable to equity holders							
Basic earnings per share	11			**94.6p**			37.9p
Diluted earnings per share	11			**93.2p**			37.4p
Adjusted basic earnings per share	11			**129.4p**			75.6p
Adjusted diluted earnings per share	11			**127.6p**			74.7p
Earnings per share for continuing operations attributable to equity holders							
Basic earnings per share	11			**74.8p**			35.9p
Diluted earnings per share	11			**73.7p**			35.5p
Adjusted basic earnings per share	11			**103.4p**			72.9p
Adjusted diluted earnings per share	11			**101.9p**			72.0p
Dividend per share in respect of the financial year/period:							
Dividend per share paid during the year/period	12			**10.8p**			20.7p
Dividend per share declared for the year/period	12			**25.2p**			9.7p

1. Comparative amounts have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.
2. Comparative amounts have been re-presented to reflect the presentation of cost of sales and gross profit in the financial statements which resulted in £69.4 million of costs being re-presented from operating expenses to cost of sales.

The notes on pages 103–149 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

Year ended 31 December 2015	Notes	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Profit for the financial year/period		**357.1**	137.4
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss			
Defined benefit pension scheme remeasurement gain/(loss)	18	**7.8**	(5.6)
		7.8	(5.6)
Items that may be subsequently reclassified to profit or loss			
Net investment hedge		**27.6**	23.9
Change in value of available for sale financial assets		**3.7**	(2.8)
Exchange loss on translation of foreign operations		**(62.6)**	(104.6)
Tax related to items not recognised in income statement	9	**(2.8)**	(11.3)
		(34.1)	(94.8)
Other comprehensive loss net of tax		**(26.3)**	(100.4)
Total comprehensive income for the financial year/period		**330.8**	37.0
Attributable to non-controlling interests		**16.8**	(12.7)
Attributable to equity holders		**314.0**	49.7
Total comprehensive income for the financial year/period		**330.8**	37.0

The notes on pages 103–149 form an integral part of these consolidated financial statements.

Balance sheets

At 31 December 2015	Notes	Group 2015 £m	Group 2014 £m (revised)[1]	Company 2015 £m	Company 2014 £m
Assets					
Non-current assets					
Property, plant and equipment	13	**93.9**	115.6	**–**	–
Intangible assets	14	**3,704.2**	4,484.7	**–**	–
Investment in associates	15	**0.3**	12.1	**–**	–
Investment in subsidiary undertakings	16	**–**	–	**4,896.8**	4,889.1
Deferred tax assets	17	**34.6**	76.5	**–**	–
Derivative financial instruments	20	**22.4**	22.7	**22.4**	22.7
Available for sale investments	20	**61.0**	4.8	**–**	–
Retirement benefit asset	18	**25.2**	16.0	**–**	–
Other non-current assets	20	**46.0**	64.8	**–**	–
		3,987.6	4,797.2	**4,919.2**	4,911.8
Current assets					
Inventories		**3.7**	6.6	**–**	–
Trade and other receivables	19	**331.3**	580.2	**550.2**	654.4
Derivative financial instruments	20	**25.5**	0.4	**25.1**	–
CCP financial assets		**428,244.3**	429,952.8	**–**	–
CCP cash and cash equivalents (restricted)		**28,444.2**	21,493.0	**–**	–
CCP clearing business assets	20	**456,688.5**	451,445.8	**–**	–
Current tax		**7.2**	24.3	**–**	–
Assets held at fair value	20	**9.9**	12.4	**–**	–
Cash and cash equivalents	22	**923.9**	1,127.2	**0.9**	0.2
		457,990.0	453,196.9	**576.2**	654.6
Assets held for sale	10	**1,273.6**	5.3	**–**	–
Total assets		**463,251.2**	457,999.4	**5,495.4**	5,566.4
Liabilities					
Current liabilities					
Trade and other payables	23	**452.4**	727.4	**201.9**	195.0
CCP clearing business liabilities	20	**456,663.3**	451,467.5	**–**	–
Current tax		**3.5**	51.6	**–**	6.4
Borrowings	24	**930.2**	789.9	**338.6**	127.0
Provisions	27	**1.5**	0.9	**–**	–
		458,050.9	453,037.3	**540.5**	328.4
Liabilities directly associated with assets held for sale	10	**539.0**	–	13.4	–
Non-current liabilities					
Borrowings	24	**678.7**	936.5	**546.5**	796.7
Other non-current payables	20, 23	**43.5**	73.3	**–**	–
Deferred income		**2.2**	4.9	**–**	–
Deferred tax liabilities	17	**625.6**	861.3	**–**	–
Retirement benefit obligations	18	**40.6**	39.8	**–**	–
Other non-current liabilities	20	**65.3**	77.5	**–**	–
Provisions	27	**9.3**	13.5	**–**	–
		1,465.2	2,006.8	**546.5**	796.7
Total liabilities		**460,055.1**	455,044.1	**1,100.4**	1,125.1
Net assets		**3,196.1**	2,955.3	**4,395.0**	4,441.3
Equity					
Capital and reserves attributable to the Company's equity holders					
Ordinary share capital	26	**24.0**	23.9	**24.0**	23.9
Share premium	26	**960.0**	957.7	**960.0**	957.7
Retained earnings		**255.3**	20.0	**1,592.5**	1,641.2
Other reserves		**1,504.6**	1,524.9	**1,818.5**	1,818.5
Total shareholders' funds		**2,743.9**	2,526.5	**4,395.0**	4,441.3
Non-controlling interests		**452.2**	428.8	**–**	–
Total equity		**3,196.1**	2,955.3	**4,395.0**	4,441.3

1. The 31 December 2014 comparatives have been revised for IFRS 3 fair value adjustments on the acquisition of Frank Russell Company and Bonds.com.

The notes on pages 103–149 form an integral part of these consolidated financial statements.
The financial statements on pages 98–149 were approved by the Board on 3 March 2016 and signed on its behalf by:

Xavier Rolet
Chief Executive

David Warren
Chief Financial Officer

4 March 2016
London Stock Exchange Group plc. Registered number 5369106

Cash flow statements

Year ended 31 December 2015		Group		Company	
		Year ended 31 December 2015	Period ended 31 December 2014	Year ended 31 December 2015	Period ended 31 December 2014
	Notes	£m	£m	£m	£m
Cash flow from operating activities					
Cash generated from operations	28	**734.1**	413.4	**118.2**	30.5
Interest received		**1.8**	3.1	**–**	17.6
Interest paid		**(65.2)**	(61.1)	**(51.5)**	(51.9)
Corporation tax paid		**(172.3)**	(65.6)	**–**	–
Withholding tax paid		**(0.5)**	(1.9)	**–**	–
Net cash inflow/(outflow) from operating activities		**497.9**	287.9	**66.7**	(3.8)
Cash flow from investing activities					
Purchase of property, plant and equipment		**(30.1)**	(16.1)	**–**	–
Purchase of intangible assets		**(87.2)**	(43.1)	**–**	–
Disposal proceeds from sale of property, plant and equipment classified as held for sale	7	**5.8**	–	**–**	–
Investment in other acquisition		**(1.5)**	(1.3)	**–**	–
Investment in subsidiaries		**–**	–	**–**	(1,026.1)
Acquisition of businesses	30	**(2.9)**	(1,687.3)	**–**	–
Net cash inflow from acquisitions		**0.2**	290.8	**–**	–
Dividends received		**8.2**	0.7	**125.2**	156.0
Proceeds from sale of investment in a subsidiary	10	**21.8**	–	**–**	–
Net cash outflow from disposal of subsidiaries		**(0.3)**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(86.0)**	(1,456.3)	**125.2**	(870.1)
Cash flow from financing activities					
Capital raise		**–**	962.7	**–**	962.7
Dividends paid to shareholders	12	**(115.5)**	(56.2)	**(115.5)**	(56.2)
Dividends paid to non-controlling interests		**(7.2)**	(4.9)	**–**	–
Capital contributions in relation to non-controlling interests		**12.7**	1.3	**–**	–
Loans to subsidiary companies		**–**	–	**(39.4)**	(133.4)
Purchase of own shares by ESOP Trust		**–**	(0.5)	**–**	–
Proceeds from own shares on exercise of employee share options		**2.4**	–	**2.4**	–
Investment in available for sale financial assets		**(63.7)**	–	**–**	–
Proceeds from finance lease		**–**	1.8	**–**	–
Repayments of finance lease		**(6.8)**	(1.2)	**–**	–
Proceeds from borrowings		**–**	519.9	**–**	101.0
Repayments of borrowings		**(143.5)**	–	**(38.7)**	–
Net cash (outflow)/inflow from financing activities		**(321.6)**	1,422.9	**(191.2)**	874.1
Increase in cash and cash equivalents		**90.3**	254.5	**0.7**	0.2
Cash and cash equivalents at beginning of year/period		**1,127.2**	919.2	**0.2**	–
Exchange loss on cash and cash equivalents		**(41.1)**	(46.5)	**–**	–
Cash and cash equivalents at end of year/period		**1,176.4**	1,127.2	**0.9**	0.2
Cash and cash equivalents at end of year/period from continuing operations	20	**923.9**	1,127.2	**0.9**	0.2
Cash and cash equivalents at end of year/period from discontinued operations	10	**252.5**	–	**–**	–
Cash and cash equivalents at end of year/period		**1,176.4**	1,127.2	**0.9**	0.2

The notes on pages 103–149 form an integral part of these consolidated financial statements.

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation. Interest on CCP balances are received net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow for the Group, and is shown separately in the cash flow statement.

Statements of changes in equity

Year ended 31 December 2015

Group	Notes	Ordinary share capital £m	Share premium £m	Retained earnings/(losses) £m	Other reserves £m	Total attributable to equity holders £m	Non-controlling interests £m	Total equity £m
		Attributable to equity holders						
31 March 2014		**18.8**	**–**	**(46.2)**	**1,592.4**	**1,565.0**	**438.0**	**2,003.0**
Profit for the period		–	–	123.0	–	123.0	14.4	**137.4**
Other comprehensive income for the period		–	–	(5.8)	(67.5)	(73.3)	(27.1)	**(100.4)**
Issue of shares	26	0.1	–	–	–	0.1	–	**0.1**
Rights Issue	26	5.0	957.7	–	–	962.7	–	**962.7**
Final dividend relating to the year ended 31 March 2014	12	–	–	(56.2)	–	(56.2)	–	**(56.2)**
Dividend payments to non-controlling interests		–	–	–	–	–	(4.9)	**(4.9)**
Employee share scheme expenses		–	–	5.2	–	5.2	–	**5.2**
Purchase of non-controlling interest within acquired subsidiary		–	–	–	–	–	8.4	**8.4**
31 December 2014		**23.9**	**957.7**	**20.0**	**1,524.9**	**2,526.5**	**428.8**	**2,955.3**
Profit for the year		**–**	**–**	**328.3**	**–**	**328.3**	**28.8**	**357.1**
Other comprehensive income/(loss) for the year		**–**	**–**	**6.0**	**(20.3)**	**(14.3)**	**(12.0)**	**(26.3)**
Issue of shares	26	**0.1**	**2.3**	**–**	**–**	**2.4**	**–**	**2.4**
Interim dividend relating to the period ended 31 December 2014	12	**–**	**–**	**(33.6)**	**–**	**(33.6)**	**–**	**(33.6)**
Final dividend relating to the period ended 31 December 2014	12	**–**	**–**	**(44.4)**	**–**	**(44.4)**	**–**	**(44.4)**
Interim dividend relating to the year ended 31 December 2015	12	**–**	**–**	**(37.5)**	**–**	**(37.5)**	**–**	**(37.5)**
Dividend payments to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**(7.2)**	**(7.2)**
Employee share scheme expenses, net of tax		**–**	**–**	**16.5**	**–**	**16.5**	**–**	**16.5**
Capital contributions in relation to non-controlling interest		**–**	**–**	**–**	**–**	**–**	**13.8**	**13.8**
31 December 2015		**24.0**	**960.0**	**255.3**	**1,504.6**	**2,743.9**	**452.2**	**3,196.1**

The notes on pages 103–149 form an integral part of these consolidated financial statements.

Shares held in the Employee Benefit Trust to settle exercises on employee share awards were 462,378 (31 December 2014: 595,179).

Other reserves comprise the following:

Merger reserve of £1,304.3 million (31 December 2014: £1,304.3 million), a distributable reserve arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary undertakings.

Capital redemption reserve of £514.2 million (31 December 2014: £514.2 million), a non-distributable reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512.5) million (31 December 2014: £(512.5) million), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £184.3 million (31 December 2014: £232.5 million), a non-distributable reserve reflecting the impact of foreign currency changes on the translation of foreign operations.

Hedging reserve of £14.3 million (31 December 2014: £(13.6) million), a non-distributable reserve representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

Company	Notes	Ordinary share capital £m	Share premium £m	Retained earnings £m	Capital redemption reserve £m	Merger reserve £m	Total attributable to equity holders £m
		Attributable to equity holders					
					Other reserves		
31 March 2014		**18.8**	**–**	**1,531.6**	**514.2**	**1,304.3**	**3,368.9**
Profit for the period		–	–	159.7	–	–	**159.7**
Issue of shares	26	0.1	–	–	–	–	**0.1**
Rights issue	26	5.0	957.7	–	–	–	**962.7**
Final dividend relating to the year ended 31 March 2014	12	–	–	(56.2)	–	–	**(56.2)**
Employee share scheme expenses		–	–	6.1	–	–	**6.1**
31 December 2014		**23.9**	**957.7**	**1,641.2**	**514.2**	**1,304.3**	**4,441.3**
Profit for the year		**–**	**–**	**54.1**	**–**	**–**	**54.1**
Issue of shares	26	**0.1**	**2.3**	**–**	**–**	**–**	**2.4**
Interim dividend relating to the period ended 31 December 2014	12	**–**	**–**	**(33.6)**	**–**	**–**	**(33.6)**
Final dividend relating to the period ended 31 December 2014	12	**–**	**–**	**(44.4)**	**–**	**–**	**(44.4)**
Interim dividend relating to the year ended 31 December 2015	12	**–**	**–**	**(37.5)**	**–**	**–**	**(37.5)**
Employee share scheme expenses, net of tax		**–**	**–**	**12.7**	**–**	**–**	**12.7**
31 December 2015		**24.0**	**960.0**	**1,592.5**	**514.2**	**1,304.3**	**4,395.0**

The notes on pages 103–149 form an integral part of these financial statements.

Notes to the financial statements

1. Basis of preparation and accounting policies

The Company's and Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before amortisation of purchased intangible assets and non-recurring items. This is the profit measure used to calculate adjusted earnings per share and is considered to be the most appropriate as it best reflects the Group's underlying, recurring cash earnings and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition amortisation and non-recurring items is reconciled to profit before taxation on the face of the income statement.

Amounts in the income statement for the 9 month period ended 31 December 2014 have been re-presented to reflect the inclusion of 2 additional performance measures, being cost of sales and gross profit, on the face of the income statement. This resulted in £69.4 million of costs from continuing operations being re-presented from operating expenses into cost of sales. The change in presentation is to further assist users in understanding the financial performance of the Group and does not impact previously reported profit before tax or profit after tax for the period.

The comparative income statement for the 9 month period ended 31 December 2014 has also been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations. Further details are provided in Note 10.

In the prior year, the Group changed its financial year end to 31 December. As a consequence, the financial statements show results for the year to 31 December 2015, with the comparatives for the 9 months to 31 December 2014.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's income for the year is disclosed within the statement of changes in equity.

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Upon completion of the Group's fair value exercise, comparatives are revised up to 12 months after the acquisition date, for the final fair value adjustments. Further details are provided in Note 30. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity. Where the non-controlling interest has an option to dispose of their holding to the Group, then these costs are recognised at the fair value of the option at the balance sheet date.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale and:

a) represents a separate major line of business or geographical area of operations

b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations

c) is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Comparatives are also re-presented to reclassify disposed businesses or held for sale businesses as discontinued operations.

Investments in subsidiaries shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

Recent accounting developments

There were no standards, interpretations or amendments issued by the International Accounting Standards Board (IASB) and IFRIC, effective as of 1 January 2015 that have been newly adopted in these financial statements.

The following standards and interpretations were issued by the IASB and IFRIC, but have not been adopted either because they were not endorsed by the EU at 31 December 2015 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review:

International accounting standards and interpretations	Effective date
Amendments to IFRS 11, 'Joint arrangements' on accounting for acquisitions of interest in joint operations	1 January 2016
Amendment to IAS 16, 'Property,plant and equipment' and IAS 38, 'Intangible assets', on Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 27, 'Separate financial statements' on equity method in separate financial statements	1 January 2016
Annual Improvements 2012–2014	1 January 2016
Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 28, 'Associates and joint ventures' on applying the consolidated exception for investment entities	1 January 2016
Proposed amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 9 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting	1 January 2018
IFRS 15 'Revenue from contracts with customers'	1 January 2018
IFRS 16 'Leases'	1 January 2019

Notes to the financial statements continued

Accounting policies

Income Statement

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes.

Revenue is recognised in the period when the service or supply is provided. The sources of revenue are:

a) Maintenance contracts, membership and other fees – revenue is recognised on a straight-line basis over the period to which the fee relates

b) Admission fees – revenue is recognised at the time of admission to trading

c) Clearing fee income and rebates, together with other fee income and net settlement fees, are recognised on a transaction by transaction basis in accordance with the Group's fee scales

d) Royalties – revenue is recognised at the date at which they are earned or measurable with certainty

e) IT products – where there is no significant service obligation the revenue is recognised upon delivery and acceptance of the software or hardware by the customer, in other circumstances revenue is recognised on provision of contracted services

f) IT solutions – where software is sold requiring significant modification, integration or customisation, the consideration is allocated between the different elements on a fair value basis. Revenue is recognised using a percentage of completion method. The stage of completion is determined by reference to the costs incurred to date as a proportion of the total estimated costs or the services performed to date as a percentage of total services to be performed. Provision is made for all foreseeable future losses in the period in which they are identified

g) Software and Licence fees – revenue is recognised when the performance under the contract has occurred and the revenue has been earned

h) Other – all other revenue is recognised in the month in which the service is provided. The Borsa Italiana Group defers some of the income received from cash trading and FTSE MIB futures trading and clearing. This deferral results in revenues being recognised at the average price of transactions forecast for the full year, as pricing levels reduce during the year when incremental volume targets are achieved

The main source of revenue is through fees.

Cost of sales

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

Non-recurring items

Items of income and expense that are material by size and/or nature and are non-recurring are classified as non-recurring items on the face of the income statement within their relevant category. The separate reporting of these items together with amortisation of purchased intangible assets helps give an indication of the Group's underlying performance.

Pension costs

The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred.

Share based compensation

The Group operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

Foreign currencies

The consolidated financial statements are presented in sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Exceptions to this are where the non-monetary items form part of the net investment in a foreign operation or are designated as hedges of a net investment, or as cash flow hedges. Such exchange differences are initially recognised in equity.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate

b) income and expenses are translated and recorded in the income statement at the average monthly rates prevailing

c) all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Finance income and expense

Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period, and calculated using the effective interest rate method.

Recurring fees and charges levied on committed bank facilities and the payments and cash management transactions and services provided by the Group's banks are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to protected utilisation. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments held as fair value hedges.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Freehold buildings, fixed plant and plant and equipment are stated at cost and are depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets which are as follows:

a) Freehold buildings – 30 to 50 years

b) Fixed plant – 3 to 20 years

c) Plant and equipment – 3 to 15 years

Leasehold properties and improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

The Group leases certain plant and equipment where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the liability so as to achieve a constant rate on the finance balance outstanding. Plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Intangible assets

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives which are as follows:

a) Customer and supplier relationships – 2 to 25 years (material assets are amortised over a life exceeding 15 years)

b) Brands – 10 to 25 years (material assets are amortised over a life of 25 years)

c) Software licenses and intellectual property – 2 to 25 years (the majority of material assets are amortised over a life not exceeding 5 years)

The useful economic lives are based on management's best estimates such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands and pace of change of regulation for business.

Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of 3 to 5 years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third party expenses, and amortised over their useful economic lives of 3 to 5 years.

Intangible assets are assessed for any indicators of impairment at each balance sheet date. Where indicators of impairment for a particular intangible asset are identified, a full impairment assessment is performed, with any diminution in value recognised in the income statement. When performing any impairment assessment, in addition to considering matters particular to the relevant Group business area, management evaluates the overall value of the asset from the perspective of a market participant. Accordingly, any reduction in value recorded represents the Group's view of the market fair value of the intangible asset.

Current and non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for trade or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within 1 year from the reporting date. All other liabilities are classified as non-current liabilities.

Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantially enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

Financial assets and liabilities

Financial assets (excluding clearing business)

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivables. The classification of the Group's financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for liquidity purposes, they are initially recognised at fair value and any subsequent changes in fair value are recognised directly in the income statement. These assets are financial instruments not designated as hedges.

b) Available-for-sale financial assets
Investments (other than term deposits and interests in joint ventures, associates and subsidiaries) are designated as available-for-sale and are recorded on trade date at fair value plus transaction costs with changes in fair value recognised in equity. Cumulative fair value gains or losses on an asset are recycled through the income statement when the asset is disposed or impaired. Where the fair value is not reliably measurable, the investment is held at cost less any provision for impairment. Assets such as shares in clearing and payment transmission operations and long-term equity investments that do not qualify as associates or joint ventures are usually classified as available-for-sale.

c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Financial assets are derecognised when the right to receive cash-flows from the assets has expired, or has been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Financial liabilities
Financial liabilities are classified at initial recognition as either financial liabilities at fair value through profit or loss or financial liabilities at amortised cost. Financial liabilities at fair value through profit and loss include CCP financial liabilities (see below) and other non-current liabilities. Financial liabilities at amortised cost include trade and other payables, borrowings and provisions.

Subsequent to initial recognition, financial liabilities at amortised cost are measured using the effective interest rate method, with gains and losses recognised in finance income and expenses respectively. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets and liabilities of the central counterparty (CCP) business
Assets and liabilities of the CCP clearing service relate to subsidiaries that perform the CCP clearing business. The activities include clearing of financial derivatives, equities and bond transactions on regulated markets. The Group enters into a contractual arrangement in respect of each side of the transaction, bears the risk associated with counterparties failing to honour their obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete the delivery. Accordingly, the Group must record an asset and a liability on its balance sheet in respect of each of the sale and purchase sides of each transaction. However, except in respect of failed transactions the Group as a CCP clearer does not bear any price risk and the value of the sale and purchase side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other. The Group has adopted the settlement date as the reference date for recognising financial assets.

Income recognised through the CCP clearing business includes net treasury income earned on margin and default funds, held as part of our Risk Management process, and is shown separately from the Group revenues. Net treasury income is the result of interest earned on cash assets lodged with the clearing house, less interest paid to the members on their initial margin and default fund contributions. Net treasury income has been shown separately on the face of the income statement to distinguish this income stream from revenues arising from the Group's other activities and provides the reader with a greater understanding of the operating activities of the Group. Where negative interest rates apply, the Group recognises interest paid on cash assets as a net treasury expense and interest received on clearing member's margin as net treasury income.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Accounting treatments of CCP financial assets and liabilities include the following:

a) Derivatives, trading assets and liabilities
These transactions are initially recorded at fair value, and are subsequently re-measured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no net fair value gains or losses are recognised in the income statement.

b) Receivables for and liabilities under repurchase transactions
These represent repurchase transactions (repos) by clearing members using the Group's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term. These transactions are initially recognised at fair value and are subsequently measured at amortised cost, by allocating the yield on the repo pro-rated over the duration of the contract (the coupon accrued in the period and the difference between the spot and forward prices). Since the asset and liability positions for repos are matched, the same amount is recorded for both assets and liabilities and no gain or loss is recorded in the income statement.

c) Other receivables from and payables to clearing members and default funds
These comprise accounts receivable and payable deriving from the activities of clearing members in derivatives, equities and bond transactions. They mainly represent amounts to be received or paid in relation to initial and variation margins, option premiums, securities as collateral and default fund contributions and are initially recorded at fair value. They are generally settled on the next day and, accordingly, are not discounted back to current value. Default funds absorb any losses incurred by the Group in the event of clearing members default where margin collateral is insufficient to cover the management and close out of the positions of the defaulting members.

d) Financial assets and liabilities at fair value
These represent quoted equity and bond securities which have already withdrawn from the settlement system but have not yet delivered to the intermediaries who have bought them and securities traded but not yet settled as part of the CCP function. These are initially recognised at fair value and subsequently re-measured at fair value, based on the market price of each security. The difference between the settlement price of each security at trade date and the market price of that security at the period end is recognised as a fair value gain or loss in the income statement.

e) Held to maturity
These are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. After initial measurement held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate less impairment. The amortisation of any premium or discount is included in interest income.

f) Cash and cash equivalents (restricted)
These include amounts received from clearing members to cover initial and variation margins and default fund contributions as collateral against default or insolvency and are deposited with banks. Such amounts are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

The Group applies fair value hedge accounting for hedging interest rate risk on borrowings. Any gain or loss is recognised in the income statement within finance expenses.

The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

The Group hedges a proportion of its net investment in its Italian companies by designating euro borrowings as a net investment hedge.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its Risk Management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Put options written on non-controlling interests

Commitments to purchase minority interests and put options granted to minority shareholders are recognised at fair value as a financial liability. When the financial liability is recognised initially, the redemption amount is reclassified from equity. The changes in the measurement of the financial liability are recognised in the income statement. Changes in the measurement of that financial liability do not change the relative interests in the subsidiary that are held by the parent and the non-controlling-interest shareholder and therefore are not equity transactions.

Trade receivables

Trade receivables are non-interest bearing and are stated at their fair value, which is usually the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or will be subject to a financial reorganisation or default on, or be delinquent on, its payment obligations are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short-term deposits and investments in money market funds and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Assets and liabilities held for sale

Assets and liabilities are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Borrowings

Borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is charged to the income statement over the period of the borrowings using the effective interest rate method. Similarly direct issue costs and transaction costs (including upfront facility fees) are charged to the income statement over the period of the borrowings using the effective interest rate method.

Preference shares

Preference shares or components of preference shares are classified on initial recognition as a financial liability or equity based on the terms of the contract. They are classified as a financial liability if the terms impose a contractual obligation to deliver cash.

Provisions

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that the Group would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

Property provisions are made in the financial statements at the lower of the cost of fulfilling lease commitments for property space surplus to business requirements after taking into account income from sub-letting, and any compensation or penalties arising from failure to fulfil the lease commitments.

All provisions are discounted where the time value of money is considered material.

Equity and related items

Share capital

The Company's own shares held by the Employee Benefit Trust are deducted from equity until they vest unconditionally for employees and are held at cost. Consideration paid in respect of these treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.

Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Financial Risk Management

The Group seeks to protect its financial performance and the value of its business from exposure to capital, credit, concentration, country, liquidity and market (including foreign exchange, fair value and cash flow, interest rate and other price) risks.

Financial Risk Management is not speculative. It is performed both at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and also locally, where operating units manage their regulatory and operational risks. This includes clearing operations at the Group's CCPs (at LCH.Clearnet Group and CC&G) and investment management activities at the Frank Russell Company that adhere to local regulation and operate under locally approved risk and investment policies.

The Group Chief Risk Officer's team provides assurance that the Group's Risk Management, governance and internal control processes are operating effectively. The Financial Risk Committee, a sub-committee of the Group Executive Committee and chaired by the Chief Financial Officer, meets monthly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-committee of the Financial Risk Committee (which is also chaired by the Chief Financial Officer), meets regularly to monitor the management of and controls around foreign exchange, interest rates, credit and concentration risks and the investment of excess liquidity in addition to its oversight of the Group's funding arrangements. Both committees provide the Group's senior management with assurance that the treasury and risk operations are performed in accordance with Group Board approved policies and procedures. Regular updates, on a range of key criteria as well as new developments, are provided through the Enterprise Risk Management Framework to the Group Risk Committee. See Risk Management oversight, pages 44–45, for further detail on the Group's risk framework.

Capital risk

Risk description	Risk management approach
The Group is profitable and strongly cash generative and its capital base comprises equity and debt capital. However, the Group recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return. The Group comprises regulated and unregulated entities. It considers that: – increases in the capital requirements of its regulated companies; or – negative yields on its investments of cash; or – a scarcity of debt or equity (driven by its own performance or financial market conditions) either separately or in combination are the principal risks to managing its capital.	The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining the flexibility to invest for growth is a key capital management consideration. As at 31 December 2015, the book value of the Group's consolidated equity before non-controlling interests was £2,743.9 million (31 December 2014: £2,526.5 million) and the book value of its consolidated debt was £1,608.9 million (31 December 2014: £1,726.4 million). The Group can manage its capital structure and react to changes in economic conditions by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. Whilst the Company is unregulated, the regulated entities within the Group continuously monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the Financial Risk Committee includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that compliance with local regulations is maintained and that there is a robust evaluation, undertaken by the Group's Investment Committee, of the impact of new investments, across the Group, on its capital position. Regulated entities within the Group have to date predominantly issued equity and hold cash to satisfy their local regulatory capital requirements. At 31 December 2015, £952.8 million was held to meet regulatory and operational requirements across these entities. This amount has remained relatively stable through the year and includes cash, cash equivalents and liquid investments classified as financial assets held at fair value and comprises the Frank Russell Company's cash and cash equivalents held to meet the regulatory requirements of its investment management business, the LCH.Clearnet Group's regulated cash and cash equivalents, and the £200.0 million generally set aside by other Group operations. £719.1 million of this amount has been included in cash and cash equivalents from continuing operations (31 December 2014: £1,011.3 million). We believe that amounts held by Group companies are sufficient to comfortably support current regulatory frameworks. The level of amounts set aside by the Group for these purposes remains subject to on-going review with regulators, particularly in Europe and the USA. To maintain the financial strength to access new capital at reasonable cost and sustain an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt after excluding cash and cash equivalents set aside for regulatory and operational purposes) to adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items) against a target range of 1–2 times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies in considering increases to its borrowings. As at 31 December 2015, net leverage had reduced back to 1.7 times (31 December 2014: 2.1 times), and is within the Group's target range. The Group is comfortably in compliance with its bank facility ratio covenants (net leverage and debt service) and these measures do not inhibit the Group's operations or its financing plans.

Credit and concentration risk

Risk description	Risk management approach

Risk description

The Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including:

– customer receivables
– repayment of invested cash and cash equivalents
– settlement of derivative financial instruments

In their roles as central counterparty (CCP) clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see Principal risks and uncertainties, pages 46–53.

Notwithstanding regulations in Europe and the US that require CCPs to invest predominantly in secured instruments or structures (such as government bonds and reverse repos), CC&G and the LCH.Clearnet Group CCPs continue to be able to maintain up to 5% of their total deposits at commercial banks on an unsecured basis. Through this potential for its CCPs to invest on an unsecured basis (as well as by certain other regulated and unregulated operations observing agreed investment policy limits), the Group will continue to face the risk of direct loss from a deterioration or failure of 1 or more of its unsecured investment counterparties.

Concentration risk may arise through Group entities having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs.

Risk management approach

Group
Credit risk is controlled through policies developed at a Group level.

Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. Furthermore, the Group is exposed to a large number of customers and so concentration risk on its receivables is deemed by management as low.

Non-CCP entities
Credit risk of cash and cash equivalents is managed by limiting exposure to counterparties with credit rating levels below policy minimum thresholds, potentially overlaid by a default probability assessment. Except where specific approval is arranged to increase this limit for certain counterparties, a maximum of £50.0 million may be invested for up to 12 months with counterparties rated long term AAA (or equivalent), through to a maximum £25 million overnight with counterparties rated short term A-2 (or equivalent). Derivative transactions and other treasury receivable structures are undertaken or agreed with well capitalised counterparties and are authorised by policy, to limit the credit risk underlying these transactions.

CCPs
To address the market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP might incur in order to close out open positions in the event of the member's default. Margins are calculated using established and internationally acknowledged risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required and non-cash collateral is re-valued daily.

		31 December 2015 £ bn	31 December 2014 £ bn
Clearing members' margin liability		**(85.7)**	(70.6)
Collateral security	Cash	**45.6**	38.8
	Non-cash	**40.1**	31.8
Maximum aggregate margin liability for the year/period		**(99.6)**	(80.1)

Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. Furthermore, each of the Group's CCPs reinforces its capital position to meet the most stringent relevant regulatory requirements applicable to it, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure. An analysis of the aggregate clearing member contributions to default funds across the CCPs is shown below:

Clearing member contributions to default funds	31 December 2015 £ bn	31 December 2014 £ bn
Aggregate at year/period end	**9.4**	10.3
Maximum during the year/period	**10.6**	10.6

Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed "secure" by the relevant regulatory bodies including through direct investments in highly rated, "regulatory qualifying" sovereign bonds and supra-national debt, investments in tri-party and bi-lateral reverse repos (receiving high quality government securities as collateral) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor.

	31 December 2015 £ bn	31 December 2014 £ bn
Total investment portfolio	**54.3**	43.5
Weighted average invested securely	**99.0%**	99.1%
Overall maturity (days)	**90**	85
Maximum portfolio size	**61.1**	51.6

Associated liquidity risks are considered in the investment mix and discussed further below.

To address concentration risk, the Group maintains a diversified portfolio of high quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 December 2015 was 24.8% of the total investment portfolio to the French Government (31 December 2014: 11.4% to the US Government).

Country risk

Risk description	Risk management approach
Distress can result from the risk that certain governments may be unable or find it difficult to service their debts. This could have adverse effects, particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.	Specific risk frameworks manage country risk for both fixed income clearing and margin collateral and all clearing members are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an on-going watch over these risks and the associated policy frameworks to protect the Group against potentially severe volatility in the sovereign debt markets. The Group's sovereign exposures of £1 billion or more at the end of either of the financial reporting periods shown below are:

Group Aggregate Sovereign Treasury Exposures	31 December 2015	31 December 2014
Country	£ bn	£ bn
France	**13.4**	5.0
Italy	**5.6**	3.7
USA	**4.0**	5.8
UK	**2.6**	–
Spain	**1.9**	1.6
Belgium	**1.5**	1.5
Germany	**–**	2.2

Liquidity, settlement and custodial risk

Risk description	Risk management approach
The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations. In addition, the Group's CCPs, the Frank Russell Company investment management businesses and certain other subsidiary companies are required to maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member. The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations. The Group uses third party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration.	The combined Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, support acquisitions or repay borrowings. With the exception of regulatory constraints impacting the Group's CCPs, the Frank Russell Company investment management businesses and certain other regulated entities, funds can generally be lent across the Group or remitted through dividend payments and this is an important component of the Group Treasury cash management policy and approach. Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly. During the year ended 31 December 2015, new committed 5 year revolving credit facilities totalling £600 million were arranged by the Company to underpin the Group's financial flexibility and replace the £700 million facility arranged in 2013. The new facility bolsters facility headroom over the medium term and represents the first phase of a review of current facilities in conjunction with a refinancing of the next scheduled debt maturity in July 2016. At 31 December 2015 £518.3 million of the Group's facilities were unutilised. The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to ensure that appropriate levels of back up liquidity are in place to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see Credit and concentration risk section above). The Group's CCPs monitor their liquidity needs daily under stressed and unstressed assumptions. In addition, certain Group companies, including the CCPs, maintain operational support facilities from banks to manage intraday and overnight liquidity. Where possible, the Group employs guaranteed delivery versus payment settlement techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer. Custodians are subject to minimum eligibility requirements, ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows. The borrowings line includes interest on debt that is not yet accrued for.

At 31 December 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
Borrowings	**973.8**	**178.3**	**338.4**	**314.3**
Trade and other payables	**463.6**	**–**	**–**	**–**
CCP liabilities	**456,663.3**	**–**	**–**	**–**
	458,100.7	**178.3**	**338.4**	**314.3**

At 31 December 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
Borrowings	832.3	107.9	728.6	314.3
Trade and other payables	727.4	–	–	–
CCP liabilities	451,467.5	–	–	–
	453,027.2	107.9	728.6	314.3

Market risk – Foreign Exchange

Risk description

The Group operates primarily in the UK, Europe and North America, but also has growing and strategically important businesses in Asia, and other alliances and investments across the globe. Its principal currencies of operation are sterling, euro and US dollars.

With the exception of MillenniumIT (a Sri Lankan Rupee reporting entity), which invoices a material proportion of its revenues in US dollars, and LCH.Clearnet Limited (a euro reporting entity), which incurs a majority of its costs in sterling, Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, sterling, and from occasional, high value intragroup transactions.

Intragroup dividends may create short term transactional FX exposures but play their part in controlling the level of translational FX exposures the Group faces.

The Group may be exposed from time to time to strategic investments in currencies other than sterling.

Risk management approach

The Group seeks to match the currency of its debt liabilities to the currency of its earnings and cash flows while endeavouring to balance the currency of its assets with its liabilities. In order to mitigate the impact of unfavourable currency exchange movements on earnings and net assets, non-sterling cash earnings are centralised and applied to matching currency debt and interest payments, and where relevant, interest payments on sterling debt re-denominated through the use of cross-currency swaps.

A proportion of the Group's debt is held in or swapped into euro and a proportion is held in US dollars. As at 31 December 2015, £132.2 million of drawn debt was euro denominated (31 December 2014: £140.2 million) and £368.5 million (31 December 2014: £389.5 million) of cross-currency swaps, directly linked to sterling debt, were designated as a hedge of the net investment in the Italian Group. As at 31 December 2015, £591.6 million of drawn debt was US dollar denominated (31 December 2014: £662.1 million) and provided a hedge of the net investment in the Frank Russell Company. A profit of £12.5 million for the year ended 31 December 2015 (period to 31 December 2014: profit of £13.0 million) on foreign currency borrowings, inter company loan assets and liabilities and cross-currency swap hedges was recognised in equity. The net investment hedges were fully effective.

Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires that cash flows of more than £1 million or equivalent per annum should be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Where possible, hedge accounting for derivatives is considered in order to mitigate material levels of income statement volatility.

In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. The Group has considered movements in the euro and the US dollar over the year ended 31 December 2015 and period ended 31 December 2014, and has concluded that a 10% movement in rates is a reasonable level to measure the risk to the Group. The impact on post tax profit and equity for the year/period ended 31 December is set out in the table below:

		31 December 2015		31 December 2014	
		Post tax profit	Equity	Post tax profit	Equity
		£m	£m	£m	£m
Euro	Sterling weaken	**3.5**	**17.7**	4.3	14.2
	Sterling strengthen	**(3.1)**	**(16.0)**	(3.9)	(12.4)
US dollar	Sterling weaken	**3.8**	**(51.2)**	2.8	(58.7)
	Sterling strengthen	**(3.4)**	**46.4**	(2.6)	53.3

This reflects foreign exchange gains or losses on translation of euro and US dollar denominated trade receivables, trade payables, financial assets at fair value through profit or loss including euro and US dollar denominated cash and borrowings.

The impact on the Group's operating profit for the year before amortisation of purchased intangible assets and non-recurring items, of a 10 euro cent and 10 US dollar cent movement in the sterling-euro and sterling-US dollar rates respectively, can be seen below:

		31 December 2015	31 December 2014
		£m	£m
Euro	Sterling weaken	**24.5**	19.1
	Sterling strengthen	**(21.2)**	(15.2)
US dollar	Sterling weaken	**5.5**	12.6
	Sterling strengthen	**(6.3)**	(11.1)

Notes to the financial statements continued

Market risk – Cash Flow and Fair Value Interest Rate Risk

Risk description	Risk management approach
The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates. The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their investment activities.	Group interest rate management policy focusses on protecting the Group's credit rating and maintaining compliance with bank covenant requirements. To support this objective, a minimum coverage of interest expense by EBITDA of 7 times, and a maximum floating rate component of 50% of total debt are targeted. This approach reflects: (i) a focus on the Group's cost of gross debt rather than its net debt given the material cash and cash equivalents held specifically for regulatory purposes; (ii) the short duration allowed for investments of cash and cash equivalents held for regulatory purposes which, by their nature, generate low investment yields; (iii) a view that already low market yields are unlikely to move materially lower; and (iv) the broad natural hedge of floating rate borrowings provided by the significant balances of cash and cash equivalents held effectively at floating rates of interest. As at 31 December 2015, consolidated net interest expense cover was measured over the 12 month period at 11.7 times (31 December 2014: 9.4 times) and the floating rate component of total debt was 42% (31 December 2014: 46%). In the Group's CCPs, interest bearing assets are generally invested for a longer term than interest bearing liabilities, whose interest rate is reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily. In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2015, at the Group level, if interest rates on sterling-denominated, euro-denominated and US dollar-denominated cash and borrowings had been 1 percentage point higher with all other variables held constant, post-tax profit for the year would actually have been £2.8 million higher (31 December 2014: £1.5 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents partially offset by higher interest expense on floating rate borrowings. At 31 December 2015, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for euro, US dollar and sterling liabilities respectively, had been 1 percentage point higher, with all other variables held constant, the daily impact on post-tax profit for the Group would have been £1.0 million lower (31 December 2014: £1.0 million lower). This deficit would be recovered as investment yields increase as the portfolio matures and is re-invested.

Market risk – Other Price Risk

Risk description	Risk management approach
The Frank Russell Company investment management business has material funds under management. Other price risk arises if, as a result of changes in market prices, the fair value or cash flows associated with Frank Russell Company's managed financial instruments fluctuates (and potentially decline in value).	The Group announced on 8 October 2015 that it has agreed the sale of the investment management business of the Frank Russell Company in its entirety, subject to customary regulatory and other necessary approvals. The Group continues to progress well with the sale process. At 31 December 2015, 67% of the Frank Russell Company investment management business's assets under management was invested in equities and alternatives (31 December 2014: 67%). If the value of these assets had decreased by 10%, Frank Russell Company's total Net Investment Management Revenue for the year to 31 December 2015 would have seen a corresponding fall of approximately £24 million (period ended 31 December 2014: £29 million). Russell is well diversified in terms of geography, client type and products and strategies. It maintains a balanced approach across these criteria as shown below:

			31 December 2015	31 December 2014
Geography	Assets under management	US based	**47%**	47%
	Clients	Non-US based	**53%**	53%
Client	Client type	Number of countries	**35**	35
		Institutional	**65%**	64%
		US based retail	**23%**	24%
		Non-US based retail	**12%**	12%
	Number of institutional clients and retail partners		**1,700**	1,800
Product / Strategy	Number of funds and separate accounts		**>400**	>400
	Assets under management represented in top 20 products		**30%**	32%

The Frank Russell Company does not guarantee the performance of its investment management business.

3. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant judgements and estimates for the year ended 31 December 2015 are as follows:

Goodwill – tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by investors to determine an appropriate discount rate. Sensitivity analysis is provided in note 14;

Intangible assets acquired as part of a business combination – valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets are realised; and

Defined benefit pension asset or liability – determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. Sensitivity analysis is provided in note 18.

4. Segmental Information

The Group is organised into operating units based on its service lines and has 6 reportable segments. The Executive Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the income statement.

Segmental disclosures for the year ended 31 December 2015 are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH.Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	330.3	89.8	302.1	517.4	80.6	4.5	–	1,324.7
Inter-segmental revenue	–	0.9	–	–	12.9	–	(13.8)	–
Revenue	330.3	90.7	302.1	517.4	93.5	4.5	(13.8)	1,324.7
Net treasury income through CCP business	–	29.3	56.4	–	–	–	–	85.7
Other income	–	–	2.2	–	–	6.0	–	8.2
Total income	330.3	120.0	360.7	517.4	93.5	10.5	(13.8)	1,418.6
Cost of sales	(15.1)	(6.7)	(28.3)	(45.4)	(28.3)	(1.7)	–	(125.5)
Gross profit	315.2	113.3	332.4	472.0	65.2	8.8	(13.8)	1,293.1
Operating profit/(loss) before amortisation of purchased intangible assets and non-recurring items	170.9	51.8	90.9	270.6	6.4	(2.1)	(3.8)	584.7
Amortisation of purchased intangible assets								(149.6)
Non-recurring items								(30.7)
Operating profit								404.4
Net finance expense								(68.3)
Profit before taxation from continuing operations								336.1
Other income statement items								
Depreciation and software amortisation	(10.5)	(6.7)	(28.5)	(11.6)	(5.4)	(0.2)	4.0	(58.9)

Revenue from external customers principally comprises fees for services rendered amounting to £1,239.6 million (period ended 31 December 2014: £833.3 million) and Technology Services amounting to £80.6 million (period ended 31 December 2014: £47.3 million).

The Investment Management segment has been classified as a discontinued operation during the year as a result of the Group's decision to dispose of the Russell Investment Management business in its entirety. The Group also classified Proquote Ltd as a discontinued operation during the year. The results of Proquote are no longer presented in the Information Services segment. Further details are provided in Note 10.

Net treasury income through CCP business of £85.7 million (period ended 31 December 2014: £69.1 million) comprises gross interest income of £261.7 million (period ended 31 December 2014: £154.8 million) less gross interest expense of £176.0 million (period ended 31 December 2014: £85.7 million). The 2014 comparatives have been amended from those previously reported (an increase of £27.8 million to both interest income and interest expense) as a result of amounts of negative interest which were previously offset against interest income. Net treasury income is unchanged. Interest from investment in securities amount to £4.1 million (period ended 31 December 2014: £21.4 million).

Presented within Revenue are net settlement expenses from the CCP business of £3.2 million (period ended 31 December 2014: £2.4 million expense) which comprise gross settlement income of £13.3 million (period ended 31 December 2014: £14.5 million) less gross settlement expense of £16.5 million (period ended 31 December 2014: £16.9 million).

Comparative segmental disclosures for the period ended 31 December 2014 are as follows:

	Re-presented[1, 2]							
	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH.Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	249.1	71.5	238.7	274.0	47.3	4.1	–	884.7
Inter-segmental revenue	–	0.9	–	–	7.1	–	(8.0)	–
Revenue	249.1	72.4	238.7	274.0	54.4	4.1	(8.0)	884.7
Net treasury income through CCP business	–	23.2	45.9	–	–	–	–	69.1
Other income	–	–	0.1	–	–	3.4	–	3.5
Total income	249.1	95.6	284.7	274.0	54.4	7.5	(8.0)	957.3
Cost of sales	(10.9)	(3.1)	(10.7)	(26.1)	(15.6)	(3.0)	–	(69.4)
Gross profit	238.2	92.5	274.0	247.9	38.8	4.5	(8.0)	887.9
Operating profit before amortisation of purchased intangible assets and non-recurring items	125.2	47.1	81.4	142.7	4.6	4.3	0.2	405.5
Amortisation of purchased intangible assets								(90.3)
Impairment of purchased intangible assets and goodwill								(22.0)
Non-recurring items								(60.0)
Operating profit								233.2
Net finance expense								(51.1)
Profit before taxation from continuing operations								182.1
Other income statement items								
Depreciation and software amortisation	(9.5)	(4.1)	(19.9)	(8.3)	(2.0)	(0.2)	1.4	(42.6)

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.
2. Comparative amounts have been re-presented to reflect the presentation of cost of sales and gross profit in the financial statements.

Geographical disclosure

	Year ended 31 December 2015	Period ended 31 December 2014 Re-presented[1]
	£m	£m
Revenue		
UK	**749.3**	546.1
Italy	**264.7**	213.9
France	**83.7**	75.0
USA	**156.7**	12.7
Other	**70.3**	37.0
Total	**1,324.7**	884.7

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

	31 December 2015	31 December 2014
		(revised)
	£m	£m
Total assets		
UK	**123,166.8**	143,498.8
Italy	**148,558.9**	129,079.4
France	**188,662.5**	182,027.6
USA	**2,581.6**	3,111.3
Other	**281.4**	282.3
Total	**463,251.2**	457,999.4

5. Expenses by nature

Expenses comprise the following:

		Year ended 31 December 2015	Period ended 31 December 2014
			Re-presented[1 2]
	Notes	£m	£m
Employee costs	6	**405.5**	242.3
Depreciation and non-acquisition software amortisation		**58.9**	42.6
Impairment and amortisation of purchased intangible assets and non-recurring items	7	**180.3**	172.3
IT costs		**107.4**	88.2
Other costs		**136.6**	109.3
Total operating expenses		**888.7**	654.7

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.
2. Comparative amounts have been re-presented to reflect the presentation of cost of sales and gross profit in the financial statements.

Foreign exchange gains or losses included in the income statement are immaterial.

6. Employee costs

Employee costs comprise the following:

		Year ended 31 December 2015	Period ended 31 December 2014
			Re-presented[1]
	Note	£m	£m
Salaries and other short term benefits		**322.4**	191.6
Social security costs		**42.5**	33.2
Pension costs	18	**18.1**	12.1
Share-based compensation		**22.5**	5.4
Total		**405.5**	242.3

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

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

	Year ended 31 December 2015	Period ended 31 December 2014
UK	**1,731**	1,504
Italy	**565**	537
France	**242**	174
Sri Lanka	**926**	688
USA	**1,296**	1,312
Other	**791**	477
Total	**5,551**	4,692

Average is calculated from date of acquisition of a subsidiary company by the Group.

The Company has no employees in the year (period ended 31 December 2014: nil).

7. Amortisation of purchased intangible assets and non-recurring items

	Notes	Year ended 31 December 2015 £m	Period ended 31 December 2014 Re-presented[1] £m
Amortisation of purchased intangible assets	14	**149.6**	90.3
Transaction costs		**1.0**	54.6
Transaction credit		**(1.1)**	(2.4)
Restructuring costs		**9.9**	–
Restructuring credit		**–**	(3.8)
Integration costs		**21.4**	11.6
Impairment of purchased intangible assets and goodwill	14	**–**	22.0
Profit on disposal of assets held for sale		**(0.5)**	–
Total affecting profit		**180.3**	172.3
Charge for new transaction related revolving credit facility		**–**	1.8
Total affecting profit before tax		**180.3**	174.1
Tax effect on items affecting profit before tax			
Deferred tax on amortisation and impairment of purchased intangible assets		**(56.2)**	(32.3)
Current tax on amortisation and impairment of purchased intangible assets		**(1.8)**	(1.4)
Tax effect on other items affecting profit before tax		**(18.0)**	(6.3)
Total tax effect on items affecting profit before tax		**(76.0)**	(40.0)
Total charge to income statement		**104.3**	134.1

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

Transaction costs comprise charges incurred for ongoing services related to potential or completed acquisitions.

The transaction credit in the current year relates to the release of a contingent consideration liability in respect of a past acquisition of a Group subsidiary. The contractual terms under which the consideration was payable expired and the financial liability derecognised.

The transaction credit in the prior period relates to a reduction in obligations arising from the acquisition of LCH.Clearnet Group.

Restructuring and integration costs principally relate to the acquisition, restructuring and integration of LCH.Clearnet and Frank Russell Company.

The restructuring credit in the prior period relates to contributions made by third parties to cover restructuring costs incurred in previous periods.

The £0.5 million profit on disposal of assets held for sale in the current year relates to the sale of a freehold property and related equipment held by a subsidiary. These assets were classified as held for sale at 31 December 2014. The carrying value of the assets at the date of disposal was £5.3 million.

Of the impairment recognised during the prior period, £21.8 million relates to licenses belonging to a cash generating unit within LCH.Clearnet's business in the USA, that was recognised on the acquisition of the LCH.Clearnet Group. Following a review, it was determined that the cash flows required to maintain the current valuation are too uncertain. Consequently, it was considered appropriate to impair the asset. The Group remains committed to developing the business to provide clearing services in the USA and continues to investigate all opportunities as they arise.

The remaining £0.2 million in the prior period relates to the goodwill on EDX London Limited. Following the transfer of the UK derivatives business to its parent company, the remaining goodwill allocated to the business was impaired.

8. Net finance expense

	Notes	Year ended 31 December 2015 £m	Period ended 31 December 2014 Re-presented[1] £m
Finance income			
Expected return on defined benefit pension scheme assets	18	**0.6**	–
Bank deposit and other interest income		**0.9**	1.7
Other finance income		**1.4**	0.5
		2.9	2.2
Finance expense			
Interest payable on bank and other borrowings		**(66.0)**	(49.1)
Defined benefit pension scheme interest cost	18	**(1.2)**	(0.5)
Other finance expenses		**(4.0)**	(1.9)
Non-recurring credit facility arrangement fees		**–**	(1.8)
		(71.2)	(53.3)
Net finance expense		**(68.3)**	(51.1)

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

Net finance expense includes amounts where the Group earns negative interest on its cash deposits.

9. Taxation

The standard UK corporation tax rate was 20.25% (21% for the period ended 31 December 2014).

Taxation charged to the income statement	Note	Year ended 31 December 2015 £m	Period ended 31 December 2014 Re-presented[1] £m
Current tax:			
UK corporation tax for the year/period		**49.8**	42.9
Overseas tax for the year/period		**51.6**	48.4
Adjustments in respect of previous years		**(4.2)**	(9.6)
		97.2	81.7
Deferred tax:	17		
Deferred tax for the year/period		**(0.2)**	3.0
Adjustments in respect of previous years		**2.0**	(0.4)
Deferred tax liability on amortisation and impairment of purchased intangible assets		**(50.9)**	(33.2)
Taxation charge		**48.1**	51.1

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

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

Taxation on items not credited/(charged) to income statement	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Current tax credit/(charge):		
Tax allowance on share options/awards in excess of expense recognised	**5.8**	2.8
Gain on cash flow hedges	**–**	(17.2)
Deferred tax (loss)/credit:		
Defined benefit pension scheme remeasurement	**(2.8)**	0.7
Tax allowance on share options/awards in excess of expense recognised	**(0.1)**	1.5
Movement in value of available for sale financial assets	**–**	0.9
	2.9	(11.3)

Notes to the financial statements continued

Factors affecting the tax charge for the year/period

The income statement tax charge for the year/period differs from the standard rate of corporation tax in the UK of 20.25% (period ended 31 December 2014: 21%) as explained below:

	Year ended 31 December 2015 £m	Period ended 31 December 2014 Re-presented[1] £m
Profit before taxation from continuing operations	**336.1**	182.1
Profit before taxation from discontinued operations	**97.6**	8.9
	433.7	191.0
Profit multiplied by standard rate of corporation tax in the UK	**87.8**	40.1
Expenses not deductible/(income) not taxable	**3.5**	9.4
Adjustment arising from change in tax rate	**(4.6)**	0.8
Overseas earnings taxed at higher rate	**16.6**	25.2
Adjustments in respect of previous years	**(2.2)**	(10.0)
Amortisation and impairment of purchased intangible assets	**(0.2)**	(9.2)
Adjustment arising from changes in tax rates on amortisation of intangible assets	**(17.0)**	–
Deferred tax previously not recognised	**(7.3)**	(2.7)
Income tax from continuing operations	**48.1**	51.1
Income tax attributable to discontinued operations	**28.5**	2.5

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

The UK Finance Bill 2015 was enacted in November 2015 reducing the standard rate of corporation tax from 20% to 19% effective from 1 April 2017 and 18% effective from 1 April 2020. Accordingly the UK deferred tax balances at December 2015 have been stated at 20%, 19% or 18% dependent on when the timing differences are expected to reverse. The deferred tax balances in other countries are recognised at the substantially enacted rates at the balance sheet date.

10. Discontinued operations and assets and liabilities held for sale

During the year, the Group announced the completion of the comprehensive review focused principally on assessing the strategic fit of the Russell Investment Management business with the Group's long term strategy. After careful consideration, the conclusion of the comprehensive review was to explore a sale of this business in its entirety.

On 8 October 2015 the Group announced it had agreed the sale of the Russell Investment Management business to TA Associates for gross proceeds of US$1,150 million (£752 million) cash. The disposal of the Russell Investment Management business is expected to complete in the first half of 2016, subject to finalising agreements with the purchaser and any regulatory reviews.

At 31 December 2015, the Russell Investment Management business is classified as a disposal group held for sale and as a discontinued operation. The business of Russell Investment Management represented the entire Investment Management segment in the Group's annual consolidated financial statements for the 9 month period ended 31 December 2014. With the Russell Investment Management business being classified as a disposal group held for sale and discontinued operations, the Investment Management segment is no longer presented within the income statement analysis in the Segmental Information note (Note 4).

During the year, the Group classified Proquote Ltd as a discontinued operation and completed its disposal for cash consideration of £22.0 million. The carrying value of net assets on disposal amounted to £1.9 million and after transaction costs of £0.2 million, a non-recurring profit on disposal of £19.9 million was recognised in the income statement from discontinued operations.

The results of discontinued operations are presented below:

	Notes	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Revenue		**960.7**	86.7
Other income		**2.2**	–
Total income		**962.9**	86.7
Cost of sales		**(494.9)**	(32.1)
Share of profit after tax of associate		**0.5**	0.1
Expenses			
Expenses before amortisation of purchase intangible assets and non-recurring items		**(343.6)**	(42.6)
Amortisation of purchased intangible assets	14	**(7.1)**	(2.3)
Non-recurring items		**(22.3)**	(0.9)
Operating profit		**95.5**	8.9
Net finance income		**2.1**	–
Profit before tax from discontinued operations		**97.6**	8.9
Taxation	9	**(28.5)**	(2.5)
Profit after tax from discontinued operations		**69.1**	6.4
Attributable to:			
Equity holders		**68.7**	6.4
Non-controlling interests		**0.4**	–
		69.1	6.4

Discontinued revenue for the year ended December 2015, relate to Russell Investment Management of £953.1 million (period ended December 2014: £79.7 million) and Proquote of £7.6 million (period ended December 2014: £7.0 million).

During the year, the Group recognised £28.4 million of costs in relation to the planned disposal of the Russell Investment Management business.

The assets and liabilities of Russell Investment Management business as at 31 December 2015, that have been classified as held for sale in the balance sheet, are as follows:

Assets	31 December 2015 £m
Property, plant and equipment	**32.0**
Intangible assets	**691.3**
Investments in associates	**5.3**
Trade and other receivables	**204.5**
Cash and cash equivalents	**252.5**
Deferred tax assets	**42.3**
Other assets	**45.7**
Assets held for sale	**1,273.6**
Liabilities	
Trade and other payables	**289.8**
Current tax	**5.2**
Deferred tax liabilities	**201.4**
Provision	**1.1**
Other liabilities	**41.5**
Liabilities directly associated with assets held for sale	**539.0**
Net assets directly associated with disposal group	**734.6**
Amounts included in accumulated Other Comprehensive Income:	
Foreign exchange translation reserves	**17.1**
Reserve of disposal group classified as held for sale	**17.1**

The carrying amounts of assets and liabilities are held at the lower of cost or net realisable value less costs to sell.

Notes to the financial statements continued

The net cash flows incurred by discontinued operations during the year/period are as follows:

	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Cash inflow/(outflow) from operating activities	**51.5**	(7.7)
Cash inflow/(outflow) from investing activities	**2.9**	(1.8)
Cash (outflow)/inflow from financing activities	**(5.8)**	0.5
Net cash inflow/(outflow)	**48.6**	(9.0)

11. Earnings per share

Earnings per share is presented on 4 bases: basic earnings per share; diluted earnings per share; adjusted basic earnings per share; and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation of purchased intangible assets, non-recurring items and unrealised gains and losses to enable a better comparison of the underlying earnings of the business with prior periods.

	Year ended 31 December 2015			Period ended 31 December 2014 Re-presented[1]		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Basic earnings per share	**74.8p**	**19.8p**	**94.6p**	35.9p	2.0p	37.9p
Diluted earnings per share	**73.7p**	**19.5p**	**93.2p**	35.5p	1.9p	37.4p
Adjusted basic earnings per share	**103.4p**	**26.0p**	**129.4p**	72.9p	2.7p	75.6p
Adjusted diluted earnings per share	**101.9p**	**25.7p**	**127.6p**	72.0p	2.7p	74.7p

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

Profit and adjusted profit for the financial year/period attributable to equity holders of the parent:

	Year ended 31 December 2015			Period ended 31 December 2014 Re-presented[1]		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Profit for the financial year/period attributable to the Company's equity holders	**259.6**	**68.7**	**328.3**	116.6	6.4	123.0
Adjustments:						
Amortisation of purchased intangibles and non recurring items:						
Amortisation of purchased intangible assets	**149.6**	**7.1**	**156.7**	90.3	2.3	92.6
Transaction costs	**1.0**	**–**	**1.0**	54.6	–	54.6
Transaction credit	**(1.1)**	**–**	**(1.1)**	(2.4)	–	(2.4)
Restructuring costs	**9.9**	**42.2**	**52.1**	–	0.9	0.9
Restructuring credit	**–**	**–**	**–**	(3.8)	–	(3.8)
Integration costs	**21.4**	**–**	**21.4**	11.6	–	11.6
Impairment of purchased intangible assets and goodwill	**–**	**–**	**–**	22.0	–	22.0
Charge for new revolving credit facility	**–**	**–**	**–**	1.8	–	1.8
Profit on disposal of assets and liabilities held for sale	**(0.5)**	**(19.9)**	**(20.4)**	–	–	–
Other adjusting items:						
Unrealised net investment loss (included in other income)	**–**	**–**	**–**	(0.1)	–	(0.1)
Tax effect of amortisation and impairment of purchased intangible assets and non-recurring items	**(76.0)**	**(7.7)**	**(83.7)**	(40.0)	(0.8)	(40.8)
Amortisation of purchased intangible assets, non-recurring and adjusting items, and taxation attributable to non-controlling interests	**(5.2)**	**–**	**(5.2)**	(13.8)	–	(13.8)
Adjusted profit for the financial year/period attributable to the Company's equity holders	**358.7**	**90.4**	**449.1**	236.8	8.8	245.6
Weighted average number of shares – million			**347.0**			324.7
Effect of dilutive share options and awards – million			**5.1**			4.2
Diluted weighted average number of shares – million			**352.1**			328.9

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

The weighted average number of shares excludes those held in the Employee Benefit Trust.

12. Dividends

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	£m
Final dividend for 31 December 2014 paid 2 June 2015: 12.8p per Ordinary share (31 March 2014: 20.7p)	**44.4**	56.2
Interim dividend for 31 December 2014 paid 5 January 2015: 9.7p per Ordinary share	**33.6**	–
Interim dividend for 31 December 2015 paid 22 September 2015: 10.8p per Ordinary share	**37.5**	–
	115.5	56.2

The Board has proposed a final dividend in respect of the year ended 31 December 2015 of 25.2p per share, which is estimated to amount to £87.7 million, to be paid in June 2016. This is not reflected in these financial statements.

13. Property, plant and equipment

	Land and Buildings			
	Freehold	Leasehold	Fixed plant, other plant and equipment	Total
	£m	£m	£m	£m
Cost:				
1 April 2014	55.6	47.2	125.4	228.2
Additions	0.5	0.1	17.6	18.2
Foreign exchange	0.1	(0.3)	(1.3)	(1.5)
Impairment	–	(0.1)	–	(0.1)
Acquisition of subsidiaries	–	14.5	15.1	29.6
Reclassification to assets held for sale and other non-current assets	(6.2)	–	(2.9)	(9.1)
Disposals	(0.1)	(1.4)	(2.1)	(3.6)
31 December 2014	49.9	60.0	151.8	261.7
Additions	**1.0**	**1.5**	**28.7**	**31.2**
Foreign exchange	**(0.2)**	**0.2**	**(2.4)**	**(2.4)**
Acquisition of subsidiaries	**–**	**–**	**0.1**	**0.1**
Reclassification to assets held for sale	**(0.3)**	**(15.4)**	**(17.8)**	**(33.5)**
Disposals	**(0.2)**	**(2.7)**	**(12.0)**	**(14.9)**
Disposal of business	**–**	**–**	**(1.7)**	**(1.7)**
31 December 2015	**50.2**	**43.6**	**146.7**	**240.5**
Accumulated depreciation:				
1 April 2014	28.4	34.0	72.5	134.9
Charge for the period	0.4	1.9	14.6	16.9
Foreign exchange	(0.1)	(0.2)	(0.9)	(1.2)
Reclassification to assets held for sale	(0.9)	–	–	(0.9)
Disposals	(0.1)	(1.4)	(2.1)	(3.6)
31 December 2014	27.7	34.3	84.1	146.1
Charge for the year	**0.2**	**3.1**	**17.5**	**20.8**
Foreign exchange	**–**	**(0.2)**	**(2.7)**	**(2.9)**
Reclassification to assets held for sale	**–**	**(0.9)**	**(0.6)**	**(1.5)**
Disposals	**–**	**(2.7)**	**(11.7)**	**(14.4)**
Disposal of business	**–**	**–**	**(1.5)**	**(1.5)**
31 December 2015	**27.9**	**33.6**	**85.1**	**146.6**
Net book values:				
31 December 2015	**22.3**	**10.0**	**61.6**	**93.9**
31 December 2014	22.2	25.7	67.7	115.6

The carrying value of equipment held under finance leases at 31 December 2015 was £7.3 million (31 December 2014: £11.3 million).

Notes to the financial statements continued

14. Intangible Assets

		Purchased intangible assets				
	Goodwill	Customer and supplier relationships	Brands	Software, licenses and intellectual property	Software	Total
	£m	£m	£m	£m	£m	£m
Cost:						
1 April 2014	1,589.0	1,167.7	253.6	420.6	265.7	3,696.6
Additions	–	–	–	–	48.5	48.5
Acquisition of subsidiaries (revised)	473.0	804.1	677.6	30.7	5.6	1,991.0
Disposals	–	(0.8)	(0.1)	–	(29.2)	(30.1)
Foreign exchange	(63.5)	(38.1)	1.2	(10.0)	(17.4)	(127.8)
31 December 2014 (revised)	1,998.5	1,932.9	932.3	441.3	273.2	5,578.2
Additions	**3.9**	**–**	**–**	**–**	**96.5**	**100.4**
Disposal	**–**	**–**	**–**	**(0.8)**	**(4.8)**	**(5.6)**
Disposal of business	**–**	**–**	**–**	**–**	**(3.8)**	**(3.8)**
Reclassification to assets held for sale	**(142.4)**	**(413.9)**	**(118.7)**	**(23.4)**	**(0.3)**	**(698.7)**
Foreign exchange	**(37.3)**	**(2.5)**	**38.6**	**4.6**	**(19.1)**	**(15.7)**
31 December 2015	**1,822.7**	**1,516.5**	**852.2**	**421.7**	**341.7**	**4,954.8**
Accumulated amortisation and impairment:						
1 April 2014	486.3	244.8	28.0	149.3	118.5	1,026.9
Impairment	0.2	–	–	21.8	–	22.0
Amortisation charge for the period	–	48.2	10.3	34.1	26.8	119.4
Disposals	–	(0.8)	(0.1)	–	(28.9)	(29.8)
Foreign exchange	(19.6)	(8.9)	(0.4)	(5.2)	(10.9)	(45.0)
31 December 2014	466.9	283.3	37.8	200.0	105.5	1,093.5
Impairment	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Amortisation charge for the year	**–**	**81.9**	**33.8**	**41.0**	**39.9**	**196.6**
Disposals	**–**	**–**	**–**	**(0.7)**	**(4.7)**	**(5.4)**
Disposal of business	**–**	**–**	**–**	**–**	**(1.9)**	**(1.9)**
Reclassification to assets held for sale	**–**	**(4.7)**	**(1.2)**	**(1.4)**	**(0.1)**	**(7.4)**
Foreign exchange	**(18.3)**	**(11.9)**	**1.0**	**(0.3)**	**3.7**	**(25.8)**
31 December 2015	**448.6**	**348.6**	**71.4**	**238.6**	**143.4**	**1,250.6**
Net book values:						
31 December 2015	**1,374.1**	**1,167.9**	**780.8**	**183.1**	**198.3**	**3,704.2**
31 December 2014 (revised)	1,531.6	1,649.6	894.5	241.3	167.7	4,484.7

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The remaining amortisation periods of the Group's purchased intangible assets range between: 1 and 17 years for the Italian Group; 2 and 22 years for the LCH.Clearnet Group and the FTSE Group; and 2 and 24 years for the Frank Russell Group.

The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH.Clearnet Group, FTSE Group, MillenniumIT, the Frank Russell Group, Turquoise and Exactpro. The Company has no intangible assets.

During the year, additions relating to internally generated software amounted to £96.5 million (31 December 2014: £48.5 million).

The carrying value of licenses held under finance leases at 31 December 2015 was £0.8 million (31 December 2014: £1.4 million).

In the prior period, the acquisition of the Frank Russell Group and Bonds.com Group resulted in the recognition of £484.7 million in goodwill. The exercise of attributing fair value adjustments to the assets and liabilities acquired with both the Frank Russell Group and Bonds.com businesses was completed during the year ended 31 December 2015. As a result, goodwill arising on acquisition of the Frank Russell Group and Bonds.com Group decreased by £9.1 million and £2.6 million, respectively, and purchased intangible assets in relation to the Bonds.com acquisition increased by £4.4 million. Further details are provided in Note 30.

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to 11 cash generating units (CGUs), including the Russell Investment Management CGU.

The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by management covering the 5 year period ending 31 December 2020. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below.

	Net book value of goodwill					
	31 December 2014 (revised) £m	Acquisitions of subsidiaries £m	Reclassified to assets held for sale £m	Foreign exchange £m	31 December 2015 £m	Pre-tax discount rate used in value in use calculations
Italian Group:						
Capital Markets	226.8	–	–	(12.2)	**214.6**	11.0%
Information Services	157.0	–	–	(8.5)	**148.5**	11.3%
Technology Services	29.5	–	–	(1.6)	**27.9**	11.2%
Post Trade Services	342.2	–	–	(18.4)	**323.8**	11.2%
MillenniumIT	1.4	–	–	–	**1.4**	19.1%
Turquoise	7.6	–	–	–	**7.6**	10.3%
FTSE Group	187.6	–	–	–	**187.6**	7.5%
LCH.Clearnet Group	110.6	–	–	(6.0)	**104.6**	9.2%
Frank Russell Group						
Information Services	334.9	1.0	–	19.3	**355.2**	8.7%
Investment Management	134.0	–	(142.4)	8.4	**–**	N/A
Exactpro	–	2.9	–	–	**2.9**	N/A
	1,531.6	**3.9**	**(142.4)**	**(19.0)**	**1,374.1**	

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short and medium term revenue and cost growth assumptions are based on the 2016 budget and the Group's approved business plan. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short and medium growth assumptions.

Long term growth rates (assumed to be 1.8% for each of the Italian CGUs, 12.7% for MillenniumIT and 3.0% for the remaining Group) represent management's internal forecasts based on external estimates of GDP and inflation for the 16 year period 1 January 2005 to 31 December 2020, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, France, Sri Lanka, USA and the UK as appropriate, the Group's estimated market risk premium and a premium to reflect the inherent risks of each of the CGUs.

Based on the results of the impairment tests performed, management believes there is no impairment of the carrying value of the goodwill in any CGU.

Value in use calculations for each CGU are sensitive to changes in short and medium term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates. The impact on value in use of reasonable changes in these assumptions is shown below:

		Impact on value in use of:			
	Excess of value in use over carrying value	5% reduction in revenues	5% increase in costs	0.5% reduction in long-term growth rate	0.5% increase in pre-tax discount rate
Cash generating unit	£m	£m	£m	£m	£m
Italian group:					
Capital Markets	467.0	86.1	43.0	45.2	58.8
Information Services	53.0	20.1	8.4	12.4	16.2
Technology Services	60.2	12.7	7.7	4.9	6.3
Post Trade Services	328.8	65.6	29.1	36.4	47.4

Management believes goodwill allocated to the Frank Russell Group, LCH.Clearnet Group, FTSE Group, MillenniumIT, Turquoise and Exactpro CGUs is unlikely to be materially impaired under reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2015. Revenue and cost sensitivities assume a 5% change in revenues or costs for each of the 5 years in the value in use calculations.

15. Investment in associates

The following table illustrates the summarised financial information of the Group's investment in associates.

	Note	£m
1 April 2014		0.3
Acquisition of associates		11.9
Share of profit		0.1
Share of capital decrease and dividend distribution		(0.2)
31 December 2014		12.1
Share of profit		**0.5**
Liquidation of associate		**(5.8)**
Reclassification to assets held for sale	10	**(5.3)**
Foreign exchange		**(1.2)**
31 December 2015		**0.3**

During the year, Ping AN Russell Investment Management (Shanghai) Co Limited, the Group's principal associate was liquidated and the invested capital returned to the Group.

16. Investment in subsidiary undertakings

	Shares	Other	Total
Company	£m	£m	£m
1 April 2014	3,310.0	548.9	3,858.9
Capital contribution to LSEGH US Holdco Inc.	–	441.1	441.1
Capital contribution to LSEGH (Luxembourg) Ltd	581.8	–	581.8
Other movements during the period	–	7.3	7.3
31 December 2014	3,891.8	997.3	4,889.1
Movements during the year	**–**	**7.7**	**7.7**
31 December 2015	**3,891.8**	**1,005.0**	**4,896.8**

Principal subsidiaries:	Principal activity	Country of incorporation	Country of principal operations	% equity and votes held
Held directly by the Company:				
London Stock Exchange plc	Recognised investment exchange	UK	UK	100
Held indirectly by the Company:				
BIt Market Services S.p.A.	Retail information services and market technology	Italy	Italy	99.99
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.99
Cassa di Compensazione e Garanzia S.p.A.	CCP clearing services	Italy	Italy	99.99
Exactpro LLC	Quality assurance provider	Russian Federation	Russian Federation	100
FTSE International Ltd	Market indices provider	UK	UK	100
LCH.Clearnet Group Limited	CCP clearing services	UK	UK	57.80
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.86
Millennium Information Technologies Software Ltd	IT solutions provider	Sri Lanka	Sri Lanka	100
MTS S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.36
Turquoise Global Holdings Ltd	Multi-lateral trading facility	UK	UK	51.36
Frank Russell Company	Global asset manager and index business	USA	USA	100

During the year, the Group acquired Exactpro Systems Limited and XTF Inc. for a consideration of £4.3 million and £1.0 million, respectively. Further details are provided in Note 30.

In the prior period, the Group entered into a transaction that resulted in the Group acquiring a 100% stake in Frank Russell Company for a total consideration of £1,678.5 million. In the prior period, the Group also completed the acquisition of Bonds.com, resulting in a majority stake of 60.36% in the company for a consideration of £8.8 million. Further details are provided in Note 30.

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries is provided in Note 35.

LCH.Clearnet Group Limited is the only subsidiary that has material non-controlling interests within the Group. Financial information relating to this subsidiary is provided below:

	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Accumulated balances of material non-controlling interests	**339.0**	329.3
Profits/(losses) allocated to material non-controlling interests	**9.7**	(13.2)

Accumulated balances included goodwill, purchased intangible assets and associated amortisation and impairments attributable to non-controlling interests.

The summarised financial information of LCH.Clearnet Group is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Total income	**360.6**	238.5
Profit for the year/period	**57.0**	27.6
Total comprehensive income	**69.3**	30.7
Attributable to non-controlling interests	**29.2**	13.0

Summarised statement of financial position	31 December 2015 £m	31 December 2014 £m
Non-current assets	**239.4**	219.1
Current assets	**312,360.9**	325,870.2
Current liabilities	**(311,764.8)**	(325,270.7)
Non-current liabilities	**(152.6)**	(166.9)
Total equity	**682.9**	651.7
Attributable to:		
Equity holders of the company	**394.7**	376.7
Non-controlling interests	**288.2**	275.0

	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Net increase in cash and cash equivalents	**14.3**	47.7

LCH.Clearnet Group was acquired on 1 May 2013. Their results have been incorporated from that date.

17. Deferred tax

The movements in deferred tax assets and liabilities during the year/period are shown below.

Group	Accelerated tax depreciation £m	Acquisition deferred tax and amortisation (revised) £m	Provisions and other temporary differences £m	Total £m
1 April 2014	8.4	(316.2)	26.4	(281.4)
Transfer between categories	2.8	5.5	(8.3)	–
Tax credited to the income statement	(0.7)	33.2	(1.9)	30.6
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme remeasurement loss	–	–	0.7	0.7
– allowance on share options/awards	–	–	1.5	1.5
– movement in value of available for sale financial assets	–	–	0.9	0.9
– foreign exchange	(0.4)	10.5	–	10.1
Balance sheet transfer of pre-acquisition balances	(4.5)	–	37.9	33.4
Deferred tax recognised on acquisition (revised)	–	(580.6)	–	(580.6)
31 December 2014 (revised)	5.6	(847.6)	57.2	(784.8)
Transfer between categories	**–**	**(3.1)**	**3.1**	**–**
Tax credited/(charged) to the income statement	**1.2**	**56.2**	**(0.6)**	**56.8**
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme remeasurement loss	**–**	**–**	**(2.8)**	**(2.8)**
– foreign exchange	**–**	**(19.2)**	**–**	**(19.2)**
Allowance on share options/awards – to equity	**–**	**–**	**(0.1)**	**(0.1)**
Reclassification to assets held for sale	**1.6**	**199.8**	**(42.3)**	**159.1**
31 December 2015	**8.4**	**(613.9)**	**14.5**	**(591.0)**
Assets at 31 December 2015	**8.4**	**–**	**26.2**	**34.6**
Liabilities at 31 December 2015	**–**	**(613.9)**	**(11.7)**	**(625.6)**
Net assets/(liabilities) at 31 December 2015	**8.4**	**(613.9)**	**14.5**	**(591.0)**
Assets at 31 December 2014	10.5	–	66.0	76.5
Liabilities at 31 December 2014 (revised)	(4.9)	(847.6)	(8.8)	(861.3)
Net assets/(liabilities) at 31 December 2014 (revised)	5.6	(847.6)	57.2	(784.8)

The deferred tax assets are recoverable against future taxable profits and are due after more than 1 year.

The deferred tax asset of £14.5 million (31 December 2014: £57.2 million) in respect of provisions and other temporary differences mainly relates to share based payments £7.5 million (31 December 2014: £5.4 million), retirement benefits liability of £3.1 million (31 December 2014: £5.6 million), trading losses £6.1 million (31 December 2014: £4.3 million) and other provisions and temporary differences £4.0 million (31 December 2014: £13.4 million).

The purchased intangible assets of the acquired subsidiaries create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £20.5 million (31 December 2014: £20.4 million) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company.

18. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Group in funds administered by trustees. The funds are primarily managed by Schroder Investment Management Limited, Legal & General Investment Management Limited, PIMCO Europe Limited and a 'buy in' insurance asset with Pension Insurance Corporation.

The assets of the UK schemes are held by the trustees of the respective schemes who are responsible for the schemes' governance. The schemes are invested in a wide range of assets in the UK and overseas, which seek to balance risk and investment return, through investment managers appointed by the schemes' trustees. The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The 'Other plans' relate to the severance and leaving indemnity scheme Trattamento di Fine Rapporto (TFR) operated by the Italian group in accordance with Italian law, the employee benefit and retirement plan operated by MillenniumIT and the pension commitments of LCH.Clearnet group.

All schemes are governed by the local regulatory framework and employment laws in the country in which they operate.

The Company has no retirement benefit obligations.

The only schemes operated by FTSE International and Frank Russell Company are defined contribution schemes.

Defined benefit schemes
The LSEG UK defined benefit scheme was a non-contributory scheme and closed to new members in 1999. With effect from 31 March 2012, the scheme also closed to accrual of future benefits for active members and it has been agreed that the benefits for affected members will remain linked to their salary with the Group.

The defined benefit scheme operated by LCH.Clearnet was closed to new members from 30 September 2009. The scheme was closed to further employee contributions from 31 March 2013.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

The TFR operated by the Italian group is classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91% of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75% of 'national life price index +1.5%' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as a defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than 5 years, he or she is entitled to a payment equivalent to half a month's gross salary multiplied by the number of years in service at MillenniumIT.

Defined contribution schemes
The Group's defined contribution schemes are now the only schemes open to new employees in the Group. For the UK pension plan, a core contribution of 4 to 8% of pensionable pay is provided and the Group will match employee contributions up to a maximum of 6 to 10% of pensionable pay. LCH pays fixed contributions to the defined contribution scheme and there is no legal or constructive obligation to pay further contributions.

Amounts recognised in the income statement from continuing operations are as follows:

		Year ended 31 December 2015				Period ended 31 December 2014[1]			
		LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans Re-presented[1]	Total
	Notes	£m	£m	£m	£m	£m	£m	£m	£m
Defined contribution schemes		**(2.7)**	**(5.4)**	**(6.4)**	**(14.5)**	(2.5)	(5.2)	(3.7)	(11.4)
Defined benefit scheme – current service cost and expenses		**(1.0)**	**(1.1)**	**(1.5)**	**(3.6)**	(0.5)	(0.1)	(0.1)	(0.7)
Total pension charge included in employee costs	6	**(3.7)**	**(6.5)**	**(7.9)**	**(18.1)**	(3.0)	(5.3)	(3.8)	(12.1)
Net finance (expense)/income	8	**(1.0)**	**0.6**	**(0.2)**	**(0.6)**	(0.8)	0.6	(0.3)	(0.5)
Total recognised in the income statement		**(4.7)**	**(5.9)**	**(8.1)**	**(18.7)**	(3.8)	(4.7)	(4.1)	(12.6)

1. Comparatives have been re-presented to reflect the classification of the Russell Investment Management and Proquote businesses as discontinued operations.

Defined benefit assets/(obligations) for pension schemes

	31 December 2015				31 December 2014			
	LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fair value of assets:								
Equities (quoted)	**6.7**	**93.6**	**–**	**100.3**	9.1	94.6	0.1	103.8
Bonds (quoted)	**116.9**	**102.5**	**0.4**	**219.8**	126.7	105.3	0.2	232.2
Property	**2.1**	**–**	**–**	**2.1**	0.8	–	0.1	0.9
Cash	**2.3**	**2.9**	**–**	**5.2**	6.2	7.3	0.1	13.6
Pensioner buy in policy	**167.0**	**–**	**–**	**167.0**	162.0	–	–	162.0
Foreign exchange	**–**	**–**	**–**	**–**	–	(5.4)	(0.1)	(5.5)
Total fair value of assets	**295.0**	**199.0**	**0.4**	**494.4**	304.8	201.8	0.4	507.0
Present value of funded obligations	**(323.5)**	**(173.8)**	**(12.5)**	**(509.8)**	(331.9)	(185.8)	(13.1)	(530.8)
(Deficit)/surplus	**(28.5)**	**25.2**	**(12.1)**	**(15.4)**	(27.1)	16.0	(12.7)	(23.8)

UK pension plan actuarial assumptions are set out below:

	Year ended 31 December 2015		Period ended 31 December 2014	
	LSEG UK	LCH UK	LSEG UK	LCH UK
Inflation rate – RPI	**3.1%**	**3.1%**	3.1%	3.1%
Inflation rate – CPI	**2.1%**	**2.1%**	2.1%	2.1%
Rate of increase in salaries	**3.1%**	**n/a**	3.1%	n/a
Rate of increase in pensions in payment	**3.4%**	**2.1%**	3.4%	2.2%
Discount rate	**3.9%**	**4.0%**	3.7%	3.7%
Life expectancy from age 60 (years)				
– Non-retired male member	**28.7**	**30.5**	28.6	30.4
– Non-retired female member	**30.6**	**32.9**	30.5	32.8
– Retired male member	**27.2**	**28.3**	27.1	28.1
– Retired female member	**29.3**	**30.5**	29.2	30.4

The mortality assumptions are based on the standard tables S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for CMI 2013 projections and applied a 1.25%/1.00% for male/female long term trend rate in respect of future mortality improvements.

Sensitivities

The sensitivities regarding the principal assumptions used to measure the LSEG UK scheme obligations are:

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate (CPI)	Increase by 0.5%	Increase by £4.2m
Rate of increase in pensions payment	Increase by 0.5%	Increase by £21.5m
Discount rate	Increase by 0.5%	Reduce by £24.1m
Mortality rate	Increase by 1 year	Increase by £10.1m

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Changes in the present value of the defined benefit obligations during the year/period

	Year ended 31 December 2015				Period ended 31 December 2014			
	LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Benefit obligation as at beginning of year/period	**331.9**	**185.8**	**13.1**	**530.8**	300.6	153.0	13.4	467.0
Pension expense/(income):								
Current service cost	**–**	**–**	**1.8**	**1.8**	–	(0.2)	0.1	(0.1)
Interest cost	**12.1**	**6.8**	**0.2**	**19.1**	10.0	5.1	0.3	15.4
Subtotal included in the income statement	**12.1**	**6.8**	**2.0**	**20.9**	10.0	4.9	0.4	15.3
Re-measurement (gains)/losses:								
Actuarial (gains)/losses – financial assumptions	**(10.6)**	**(15.6)**	**(1.1)**	**(27.3)**	30.6	31.7	1.1	63.4
Actuarial gains – demographic assumptions	**–**	**–**	**–**	**–**	–	(3.2)	–	(3.2)
Actuarial losses/(gains) – experience	**0.7**	**–**	**(0.1)**	**0.6**	(2.1)	–	(0.2)	(2.3)
Other actuarial movements through the income statement	**–**	**–**	**(0.1)**	**(0.1)**	–	–	0.1	0.1
Subtotal included in other comprehensive income	**(9.9)**	**(15.6)**	**(1.3)**	**(26.8)**	28.5	28.5	1.0	58.0
Benefits paid	**(10.6)**	**(2.8)**	**(0.6)**	**(14.0)**	(7.2)	(1.8)	(1.1)	(10.1)
Foreign exchange	**–**	**(0.4)**	**(0.7)**	**(1.1)**	–	1.2	(0.6)	0.6
Benefit obligation as at end of year/period	**323.5**	**173.8**	**12.5**	**509.8**	331.9	185.8	13.1	530.8

Movement in fair value of scheme assets during the year/period

	Year ended 31 December 2015				Period ended 31 December 2014			
	LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fair value of scheme assets as at beginning of year/period	**304.8**	**201.8**	**0.4**	**507.0**	276.7	167.5	0.4	444.6
Pension income:								
Interest income	**11.1**	**7.4**	**–**	**18.5**	9.2	5.7	–	14.9
Subtotal included in the income statement	**11.1**	**7.4**	**–**	**18.5**	9.2	5.7	–	14.9
Re-measurement gains:								
Return on plan assets, excluding interest income	**(11.9)**	**(7.1)**	**–**	**(19.0)**	23.1	29.3	–	52.4
Subtotal included in other comprehensive income	**(11.9)**	**(7.1)**	**–**	**(19.0)**	23.1	29.3	–	52.4
Contributions by employer	**2.6**	**0.1**	**–**	**2.7**	3.5	0.5	0.2	4.2
Expenses	**(1.0)**	**–**	**–**	**(1.0)**	(0.5)	(0.2)	–	(0.7)
Benefits paid	**(10.6)**	**(2.8)**	**–**	**(13.4)**	(7.2)	(1.8)	(0.2)	(9.2)
Foreign exchange	**–**	**(0.4)**	**–**	**(0.4)**	–	0.8	–	0.8
Fair value of scheme assets as at end of year/period	**295.0**	**199.0**	**0.4**	**494.4**	304.8	201.8	0.4	507.0

The actual loss on plan assets was £0.5 million (period ended 31 December 2014: gain £67.2 million).

Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income:

	Year ended 31 December 2015			Period ended 31 December 2014		
	LSEG UK	LCH UK	Other plans	LSEG UK	LCH UK	Other plans
	£m	£m	£m	£m	£m	£m
Recognised up to beginning year/period	**(33.3)**	**7.2**	**(1.5)**	(27.9)	6.6	(0.7)
Net actuarial (loss)/gain recognised in the year/period	**(2.0)**	**8.5**	**1.3**	(5.4)	0.6	(0.8)
Cumulative amount recognised at end of year/period	**(35.3)**	**15.7**	**(0.2)**	(33.3)	7.2	(1.5)

The last actuarial valuation of the defined benefit scheme was carried out as at 31 March 2012 by an independent qualified actuary. The Group is currently in discussion on the preliminary results of the valuation as at 31 March 2015 and the related schedule of contributions. The actuarial valuation as at 31 March 2015 may result in an adjustment to future contribution levels.

The Group estimates the present value of the duration of defined benefit obligations on average to fall due over 20 years.

19. Trade and other receivables

		Group		Company	
		31 December 2015	31 December 2014 (revised)	31 December 2015	31 December 2014
	Note	£m	£m	£m	£m
Trade receivables		**178.6**	152.8	**–**	–
Less: provision for impairment of receivables		**(6.7)**	(5.0)	**–**	–
Trade receivables – net		**171.9**	147.8	**–**	–
Amounts due from Group undertakings	33	**–**	–	**547.9**	653.8
Amounts due from associates		**0.2**	–	**–**	–
Other receivables		**46.2**	178.9	**0.9**	–
Prepayments and accrued income		**113.0**	253.5	**1.4**	0.6
		331.3	580.2	**550.2**	654.4

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values.

Trade receivables that are not past due are not considered to be impaired.

The ageing of past due debtors for the Group is as follows:

	31 December 2015		31 December 2014	
	Impaired	Not impaired	Impaired	Not impaired
	£m	£m	£m	£m
0 to 3 months past due	**0.6**	**12.3**	–	50.5
Greater than 3 months past due	**6.1**	**16.0**	5.0	35.1
	6.7	**28.3**	5.0	85.6

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	31 December 2015	31 December 2014 (revised)
	£m	£m
Sterling	**126.7**	155.5
Euro	**79.6**	101.0
US Dollar	**108.3**	310.3
Other Currencies	**16.7**	13.4
	331.3	580.2

Movements on the Group provision for impairment of trade receivables are as follows:

	31 December 2015 £m	31 December 2014 £m
1 January 2015/1 April 2014	**5.0**	5.2
Provision for receivables impairment	**3.0**	2.2
Receivables written off during the year/period as uncollectible	**(1.1)**	(0.4)
Provisions no longer required	**–**	(1.9)
Foreign exchange	**(0.2)**	(0.1)
31 December	**6.7**	5.0

The creation and release of the provision for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

20. Financial assets and financial liabilities

Financial instruments by category

The financial instruments of the Group and Company are categorised as follows:

	Group					Company		
31 December 2015	Loans and receivables £m	Held-to-maturity assets £m	Available for sale at fair value through OCI £m	Financial instruments at fair value through profit or loss £m	Total £m	Loans and receivables £m	Financial instruments at fair value through profit or loss £m	Total £m
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	–	273,531.5	**273,531.5**	–	–	**–**
– Receivables for repurchase transactions	127,603.0	–	–	–	**127,603.0**	–	–	**–**
– Other receivables from clearing members	7,119.5	–	–	–	**7,119.5**	–	–	**–**
– Financial assets	–	102.4	10,038.3	9,849.6	**19,990.3**	–	–	**–**
– Cash and cash equivalents of clearing members	28,444.2	–	–	–	**28,444.2**	–	–	**–**
Financial assets of the CCP clearing business	163,166.7	102.4	10,038.3	283,381.1	**456,688.5**	–	–	**–**
Assets held at fair value	–	–	–	1.4	**1.4**	–	–	**–**
Total financial assets for CCP clearing business	163,166.7	102.4	10,038.3	283,382.5	**456,689.9**	–	–	**–**
Other non-current assets	46.0	–	–	–	**46.0**	–	–	**–**
Trade and other receivables	331.3	–	–	–	**331.3**	550.2	–	**550.2**
Cash and cash equivalents	923.9	–	–	–	**923.9**	0.9	–	**0.9**
Assets held at fair value	–	–	8.5	–	**8.5**	–	–	**–**
Available for sale financial assets	–	–	61.0	–	**61.0**	–	–	**–**
Derivatives not designated as hedges								
– Foreign exchange forward contracts	–	–	–	0.4	**0.4**	–	–	**–**
Derivatives used for hedging								
Net investment hedges:								
– Cross currency interest rate swaps	–	–	–	47.5	**47.5**	–	47.5	**47.5**
Total	**164,467.9**	**102.4**	**10,107.8**	**283,430.4**	**458,108.5**	**551.1**	**47.5**	**598.6**

There were no transfers between categories during the year.

Notes to the financial statements continued

31 December 2015	Group: Financial liabilities at amortised cost £m	Group: Financial liabilities at fair value through profit and loss £m	Group: Total £m	Company: Financial liabilities at amortised cost £m	Company: Financial liabilities at fair value through profit and loss £m	Company: Total £m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	273,531.5	**273,531.5**	–	–	**–**
– Liabilities under repurchase transactions	127,603.1	–	**127,603.1**	–	–	**–**
– Other payables to clearing members	55,528.4	–	**55,528.4**	–	–	**–**
– Financial liabilities held at fair value	–	0.3	**0.3**	–	–	**–**
Total financial liabilities of the CCP clearing business	183,131.5	273,531.8	**456,663.3**	–	–	**–**
Trade and other payables	452.4	–	**452.4**	201.9	–	**201.9**
Borrowings	1,608.9	–	**1,608.9**	885.1	–	**885.1**
Provisions	10.8	–	**10.8**	–	–	**–**
Other non-current liabilities	33.8	31.5	**65.3**	–	–	**–**
Other non-current payables	43.5	–	**43.5**	–	–	**–**
Total	**185,280.9**	**273,563.3**	**458,844.2**	**1,087.0**	**–**	**1,087.0**

There were no transfers between categories during the year.

The financial instruments of the Group and Company at the previous year's balance sheet date were as follows:

31 December 2014	Group: Loans and receivables £m	Group: Held-to-maturity assets £m	Group: Available for sale at fair value through OCI £m	Group: Financial instruments at fair value through profit or loss £m	Group: Total £m	Company: Loans and receivables £m	Company: Financial instruments at fair value through profit or loss £m	Company: Total £m
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	–	293,722.9	293,722.9	–	–	–
– Receivables for repurchase transactions	113,084.8	–	–	–	113,084.8	–	–	–
– Other receivables from clearing members	2,908.3	–	–	–	2,908.3	–	–	–
– Financial assets	–	306.1	10,806.8	9,123.9	20,236.8	–	–	–
– Cash and cash equivalents of clearing members	21,493.0	–	–	–	21,493.0	–	–	–
Financial assets of the CCP clearing business	137,486.1	306.1	10,806.8	302,846.8	451,445.8	–	–	–
Assets held at fair value	–	–	–	12.4	12.4	–	–	–
Total financial assets for CCP clearing business	137,486.1	306.1	10,806.8	302,859.2	451,458.2	–	–	–
Other non-current assets	42.9	–	–	21.9	64.8	–	–	–
Trade and other receivables (revised)	576.6	–	–	3.6	580.2	654.4	–	654.4
Cash and cash equivalents	1,052.0	–	–	75.2	1,127.2	0.2	–	0.2
Available for sale financial assets	–	–	4.8	–	4.8	–	–	–
Derivatives not designated as hedges								
– Foreign exchange forward contracts	–	–	–	0.4	0.4	–	–	–
Derivatives used for hedging								
Net investment hedges:								
– Cross currency interest rate swaps	–	–	–	22.7	22.7	–	22.7	22.7
Total	139,157.6	306.1	10,811.6	302,983.0	453,258.3	654.6	22.7	677.3

Balances on available for sale at fair value through OCI in the prior period, included £306.1 million of government issued bonds, which were held to maturity. These have been re-classified in the current year.

31 December 2014	Group			Company		
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total
	£m	£m	£m	£m	£m	£m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	293,722.8	293,722.8	–	–	–
– Liabilities under repurchase transactions	113,084.8	–	113,084.8	–	–	–
– Other payables to clearing members	44,650.1	–	44,650.1	–	–	–
– Financial liabilities held at fair value	–	9.8	9.8	–	–	–
Total financial liabilities of the CCP clearing business	157,734.9	293,732.6	451,467.5	–	–	–
Trade and other payables	727.4	–	727.4	195.0	–	195.0
Borrowings	1,726.4	–	1,726.4	923.7	–	923.7
Provisions	14.4	–	14.4	–	–	–
Other non-current liabilities	43.1	34.4	77.5	–	–	–
Other non-current payables	73.3	–	73.3	–	–	–
Total	160,319.5	293,767.0	454,086.5	1,118.7	–	1,118.7

There were no transfers between categories during the prior period.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2015:

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Financial assets measured at fair value:				
CCP trading assets				
Derivative instruments:				
– Futures	6,546.1	–	–	**6,546.1**
– Options	1,355.0	–	–	**1,355.0**
– Commodities derivatives	42.8	–	–	**42.8**
Non-derivative instruments:				
– CCP transactions	5.0	265,582.6	–	**265,587.6**
Financial assets:				
– Equities and bonds	9,851.0	–	–	**9,851.0**
– Securities	6,605.4	–	–	**6,605.4**
– Government backed, bank issue certificates of deposits	3,432.9	–	–	**3,432.9**
Fair value of transactions with CCP members	27,838.2	265,582.6	–	**293,420.8**
Assets held at fair value:				
– Government bonds	–	8.5	–	**8.5**
Available for sale financial assets:				
– Investment in unquoted equity – Euroclear	–	4.8	–	**4.8**
– Government bonds	–	56.2	–	**56.2**
Derivatives not used for hedging:				
– Foreign exchange forward contracts	–	0.4	–	**0.4**
Derivatives used for hedging:				
– Cross currency interest rate swaps	–	47.5	–	**47.5**

At 31 December 2015, the Company had derivative assets of £47.5 million (31 December 2014: £22.7 million). All derivatives in the Company are cross currency interest rate swaps and classified as Level 2.

Notes to the financial statements continued

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Financial liabilities measured at fair value:				
CCP trading liabilities				
Derivative instruments:				
– Futures	6,546.1	–	–	**6,546.1**
– Options	1,355.0	–	–	**1,355.0**
– Commodities derivatives	42.8	–	–	**42.8**
Non-derivative instruments:				
– CCP balances	4.9	265,582.7	–	**265,587.6**
Financial liabilities held at fair value:				
– Equities and bonds	0.3	–	–	**0.3**
Fair value of transactions with CCP members	**7,949.1**	**265,582.7**	**–**	**273,531.8**
Other non-current liabilities:				
– Canadian dollar denominated Put Option	–	24.0	–	**24.0**
– Euro denominated Put Option	–	7.5	–	**7.5**

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2014:

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Financial assets measured at fair value:				
CCP trading assets				
Derivative instruments:				
– Futures	3,715.9	–	–	**3,715.9**
– Options	1,184.3	–	–	**1,184.3**
– Commodities derivatives	138.4	–	–	**138.4**
Non-derivative instruments:				
– CCP transactions	5.7	288,678.6	–	**288,684.3**
Financial assets:				
– Equities and bonds	6,957.8	–	–	**6,957.8**
– Securities	6,491.8	–	–	**6,491.8**
– Government backed, bank issued certificates of deposits	6,493.5	–	–	**6,493.5**
Fair value of transactions with CCP members	24,987.4	288,678.6	–	**313,666.0**
Available for sale financial assets:				
– Investment in unquoted equity – Euroclear	–	4.8	–	**4.8**
Derivatives not used for hedging:				
– Foreign exchange forward contracts	–	0.4	–	**0.4**
Derivatives used for hedging:				
– Cross currency interest rate swaps	–	22.7	–	**22.7**
Other non-current assets:				
– Investments in subordinated trust	–	11.9	–	**11.9**
– Investment Funds	–	2.7	5.3	**8.0**
– Investments in preferred securities	–	–	2.0	**2.0**
Trade and other receivables:				
– Investments in subordinated trusts	3.6	–	–	**3.6**
Cash and cash equivalents:				
– Money market mutual funds	75.2	–	–	**75.2**

Balances on government backed, bank issued certificates of deposits have been restated in the current year to exclude £306.1 million of government issued bonds held to maturity.

	Group			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total Fair Value**
	£m	£m	£m	£m
Financial liabilities measured at fair value:				
CCP trading liabilities				
Derivative instruments:				
– Futures	3,715.9	–	–	**3,715.9**
– Options	1,184.3	–	–	**1,184.3**
– Commodities derivatives	138.4	–	–	**138.4**
Non-derivative instruments:				
– CCP balances	5.7	288,678.5	–	**288,684.2**
Financial liabilities held at fair value:				
– Equities and bonds	9.8	–	–	**9.8**
Fair value of transactions with CCP members	5,054.1	288,678.5	–	**293,732.6**
Other non-current liabilities:				
– Canadian dollar denominated Put Option	–	26.8	–	**26.8**
– Euro denominated Put Option	–	7.6	–	**7.6**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

– Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

– Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

– Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities classified as Level 1, the fair value is based on market price quotations at the reporting date.

For assets and liabilities classified as Level 2, the fair value is calculated using 1 or more valuation techniques (e.g. the market approach or the income approach) with market observable inputs. The selection of the appropriate valuation techniques may be affected by the availability of the relevant inputs as well as the reliability of the inputs. The inputs may include currency rates, interest rate and forward rate curves and net asset values. The results of the application of the various techniques may not be equally representative of fair value, due to factors such as assumptions made in the valuation.

There have been no transfers between Level 1 and Level 2 during the year or in the prior period.

When observable market data is not available, the Group uses 1 or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments.

At the end of the prior period, the Group held investments in preferred securities and investment funds for which there was no active market. These interests, in the absence of a recent and relevant secondary market transaction, were classified as Level 3 because the valuations required significant levels of management judgement. All interests in Level 3 investments were reclassified to assets held for sale of during the year. The Group had no Level 3 financial instruments at the end of the year.

There were no gains or losses from Level 3 assets and liabilities for the year recognised in the income statement and in the statement of other comprehensive income.

Notes to the financial statements continued

The following table provides a reconciliation from opening balance to closing balance of Level 3 assets:

	Investment funds £m	Investment in preferred securities £m
Balance at 1 January 2015	5.3	2.0
Reclassified to assets held for sale	(5.3)	(2.0)
Balance at 31 December 2015	–	–

With the exception of Group borrowings, management has assessed that the fair value of financial assets and financial liabilities categorised as 'Loans and receivables', 'Held to Maturity' and 'Financial liabilities at amortised cost' approximate their carrying values. The fair value of the Group's borrowings is disclosed in Note 24.

The Group's financial assets and liabilities held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies section in Note 1.

As at 31 December 2015, there were no provisions for impairment in relation to any of the CCP financial assets (31 December 2014: nil) and none of these assets were past due (31 December 2014: nil).

Other non-current assets include financial instruments at fair value through profit and loss of nil (31 December 2014: £21.9 million), prepayments relating to tax and insurances of £42.5 million (31 December 2014: £35.4 million), rental deposits of £0.8 million (31 December 2014: £0.4 million), deferred commissions of nil (31 December 2014: £1.3 million), finance lease recoverable of £1.9 million (31 December 2014: £1.9 million) and other financial assets are £0.8 million (31 December 2014: £3.9 million).

Other non-current liabilities include deferred consideration of £17.1 million (31 December 2014: £15.9 million), put options of £31.5 million (31 December 2014: £34.4 million), non-current lease obligations of nil (31 December 2014: £5.1 million), rental deposits of £2.8 million (31 December 2014: nil) and other financial liabilities related to the clearing business of £13.9 million (31 December 2014: £22.1 million).

Other non-current payables included incentive compensation liabilities of £40.7 million (31 December 2014: £31.7 million), deferred compensation of nil (31 December 2014: £12.9 million), tax liabilities of £2.7 million (31 December 2014: £3.0 million) and long term liabilities including tenant improvements and rentals of £0.1 million (31 December 2014: £25.7 million).

Hedging activities and derivatives

Derivative financial assets of £47.5 million represents the fair value of the cross currency interest rate swaps (amounting to 10 contracts totalling €500.0 million notional). These effectively exchange some of the obligations and coupons of the 2016 and the 2019 £250.0 million bonds from Sterling into Euros in order to more closely match the currency of borrowings to the Group's currency of net assets and earnings. This results in a reduction in translation exposure on Euro denominated net assets and the protection of Sterling cash flows. These swaps have been designated as a hedge of the Group's net investment in the Italian group and qualify for effective hedge accounting. For the year ended 31 December 2015, the Group recognised the £24.8 million movement in mark to market value of these derivatives in reserves (period ended 31 December 2014: £20.0 million).

Foreign exchange forward contracts were arranged during the year to hedge the fair value of Euro, USD and JPY denominated exposures. These hedges forward buy and sell payables and receivables denominated in Euro, USD and JPY, with the mark to market adjustments offsetting the hedged item revaluation in the income statement. This also offers more predictable cash flows to the Group at maturity. At 31 December 2015, payables of €17 million (31 December 2014: nil) and US$28.5 million (31 December 2014: US$12.7 million) and receivables of JPY4.2 billion (31 December 2014: JPY4.2 billion) were hedged forward into the next financial year. The market value of the hedges was £0.4 million (31 December 2014: £0.4 million) in aggregate.

21. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following table shows the impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 December 2015.

31 December 2015	Gross amounts £m	Amount offset £m	Net amount as reported £m
Derivative financial assets	1,619,842.3	(1,617,730.3)	2,112.0
Reverse repurchase agreements	434,753.9	(171,278.6)	263,475.3
Total assets	**2,054,596.2**	**(1,789,008.9)**	**265,587.3**
Derivative financial liabilities	(1,614,067.0)	1,611,955.0	(2,112.0)
Reverse repurchase agreements	(434,753.9)	171,278.6	(263,475.3)
Total liabilities	**(2,048,820.9)**	**1,783,233.6**	**(265,587.3)**

The impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 December 2014 is as follows:

31 December 2014	Gross amounts[1] £m	Amount offset[1] £m	Net amount as reported £m
Derivative financial assets	3,180,302.5	(3,179,055.5)	1,247.0
Reverse repurchase agreements	459,908.4	(172,469.5)	287,438.9
Total assets	3,640,210.9	(3,351,525.0)	288,685.9
Derivative financial liabilities	(3,180,302.5)	3,179,055.5	(1,247.0)
Reverse repurchase agreements	(459,908.4)	172,469.5	(287,438.9)
Total liabilities	(3,640,210.9)	3,351,525.0	(288,685.9)

1. Gross amounts and amounts offset in relation to derivative financial assets and liabilities have been amended from those previously reported as at 31 December 2014. As a result, there has been no impact to the net amount reported in the balance sheet, amounts reported in the income statement, cash flow statement or any other disclosures in the financial statements.

All offset amounts are held in the CCP trading assets and CCP trading liabilities within the Group's financial instruments.

As CCPs, the Group's operating companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £265,587.3 million (31 December 2014: £288,685.9 million) to nil. Default funds for derivatives of £3,860.0 million (31 December 2014: £5,689.8 million), repurchase agreements of £1,481.9 million (31 December 2014: £1,452.3 million) and other transactions of £197.5 million (31 December 2014: £312.6 million) are held by the Group. In addition, the Group holds margin of €71,158.0 million (31 December 2014: €49,400.6 million) for derivatives, €29,424.0 million (31 December 2014: €22,249.2 million) for repurchase agreements and €3,080.0 million (31 December 2014: €2,305.4 million) for other transactions, as well as additional variation margin amounts which are not allocated by business line.

Included within member assets and liabilities are £277.5 million (31 December 2014: nil) and £83.1 million (31 December 2014: nil) respectively in relation to contracts where changes in net present value have settled to market (available for members to opt in with effect from December 2015).

22. Cash and cash equivalents

	Group		Company	
	31 December 2015 £m	31 December 2014 £m	31 December 2015 £m	31 December 2014 £m
Cash at bank	**359.0**	929.7	**0.9**	0.2
Short term deposits	**564.9**	197.5	**–**	–
	923.9	1,127.2	**0.9**	0.2

Cash and cash equivalents are held with authorised counterparties of a high credit standing, in secured investments at LCH.Clearnet Group companies and at CC&G and unsecured interest bearing current and call accounts, short term deposits and AAA rated money market funds elsewhere in the Group. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values. Cash and cash equivalents do not include amounts held by certain subsidiaries on behalf of their clearing members, the use of which is restricted to the operation of the clearers as managers of the clearing and guarantee system (see note 20).

At 31 December 2015, cash and cash equivalents shown above include £719.1 million (31 December 2014: £1,011.3 million) of amounts held by regulated entities for regulatory and operational purposes. Total amounts set aside for regulatory and operational purposes include current assets held at fair value of £8.5 million (31 December 2014: nil), non-current assets held at fair value of £56.2 million (31 December 2014: nil) and amounts held in the Russell Investment Management business which is now reported as discontinued.

All amounts are subject to regular reviews with regulators in the UK, France, Italy and the USA.

Notes to the financial statements continued

23. Trade and other payables

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Trade payables	**39.4**	261.7	**–**	–
Amounts owed to Group undertakings	**–**	–	**176.5**	163.7
Social security and other taxes	**19.3**	27.1	**0.3**	0.1
Other payables	**189.8**	153.8	**14.0**	0.7
Accruals and deferred income	**247.4**	358.1	**11.1**	30.5
	495.9	800.7	**201.9**	195.0
Current	**452.4**	727.4	**201.9**	195.0
Non-current	**43.5**	73.3	**–**	–
	495.9	800.7	**201.9**	195.0

24. Borrowings

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Current				
Bank borrowings and trade finance loans	**680.0**	789.9	**88.4**	127.0
Bonds	**250.2**	–	**250.2**	–
	930.2	789.9	**338.6**	127.0
Non-current				
Bonds	**546.5**	796.7	**546.5**	796.7
Preferred securities	**132.2**	139.8	**–**	–
	678.7	936.5	**546.5**	796.7

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

Type	Expiry Date	Notes/Facility £m	Carrying value at 31 December 2015 £m	Interest rate percentage at 31 December 2015 %
Drawn value of Facilities				
Multi-currency revolving credit facility	Jun 2017	600.0	**530.7**	LIBOR + 0.6
Multi-currency revolving credit facility	Nov 2020	600.0	**149.3**	LIBOR + 0.45
Total Bank Facilities		1,200.0	**680.0**	
Bonds due July 2016	Jul 2016	250.0	**250.2**	5.875
Bonds due October 2019	Oct 2019	250.0	**248.6**	9.125
Bonds due November 2021	Nov 2021	300.0	**297.9**	4.75
LCH.Clearnet Preferred Securities	May 2017	147.4	**132.2**	6.576
Total Bonds		947.4	**928.9**	
Total Committed Facilities		2,147.4	**1,608.9**	

The carrying value of bank drawn facilities and bonds at 31 December 2014 was £789.1 million and £936.5 million, respectively.

Current borrowings

The Group arranged £600 million of new, committed facilities in November 2015 to replace existing facilities of £700 million. The resulting committed bank lines total £1,200 million. These facilities were partially utilised at 31 December 2015 with £680.0 million (31 December 2014: £789.1 million) drawn which includes £1.7 million of deferred arrangement fees.

In July 2006, the Company issued a £250 million bond which is unsecured and is due for repayment in July 2016. Interest is paid semi-annually in arrears in January and July each year. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on movements in the Company's credit rating with Moody's which improved 1 notch to Baa1 during the financial year. The bond coupon consequently reduced from 6.125% per annum to 5.875% per annum during this year.

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day to day liquidity requirements across its operations. The aggregate drawings against these facilities as at 31 December 2015 was nil (31 December 2014: £0.8 million).

CC&G has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged back-up credit lines with a number of commercial banks, which totaled €420 million at 31 December 2015 (31 December 2014: €400 million), for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH.Clearnet SA has a French banking licence and is able to access refinancing at the European Central Bank to support its liquidity position. LCH.Clearnet Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position and, following the announcement by the Bank of England on 5 November 2014, is eligible to apply for participation in the sterling monetary framework to further support the CCP in member or market stress scenarios.

Non-current borrowings

In June 2009, the Company issued a £250 million bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the Company's credit ratings with Moody's and Standard & Poor's. The bond coupon remained at 9.125% per annum throughout the financial period.

In November 2012, the Company issued a £300 million bond under its euro medium term notes programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75% per annum.

In May 2007, LCH.Clearnet Group Limited issued through Freshwater Finance plc a €200 million of Perpetual Preferred Securities to underpin its capital structure. €20 million of these Securities were subsequently repurchased in the market by LCH.Clearnet Group Limited. The coupon on these Securities is currently a fixed rate of 6.576% per annum and interest is paid annually. In May 2017, this coupon will be replaced by a rate of 3 month Euribor plus 2.1% per annum, and is the trigger point for a first call of the Securities.

Fair values

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

	31 December 2015		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
Group	£m	£m	£m	£m
Borrowings				
– within 1 year	**930.2**	**935.7**	789.9	789.9
– after more than 1 year	**678.7**	**772.6**	936.5	1,067.8
	1,608.9	**1,708.3**	1,726.4	1,857.7

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

	31 December 2015		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
Company	£m	£m	£m	£m
Borrowings				
– within 1 year	**338.5**	**344.0**	127.0	127.0
– after more than 1 year	**546.6**	**637.4**	796.7	920.0
	885.1	**981.4**	923.7	1,047.0

Borrowings are classified as Level 2 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over LIBOR.

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

	31 December 2015			31 December 2014		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**885.1**	**(368.5)**	**516.6**	923.7	(389.5)	534.2
Euro	**132.2**	**368.5**	**500.7**	140.1	389.5	529.6
USD	**591.6**	**–**	**591.6**	662.1	–	662.1
Sri Lankan Rupees	**–**	**–**	**–**	0.5	–	0.5
Total	**1,608.9**	**–**	**1,608.9**	1,726.4	–	1,726.4

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

	31 December 2015			31 December 2014		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**885.1**	**(368.5)**	**516.6**	923.7	(389.5)	534.2
Euro	**–**	**368.5**	**368.5**	–	389.5	389.5
Total	**885.1**	**–**	**885.1**	923.7	–	923.7

Notes to the financial statements continued

25. Analysis of net debt

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Due within 1 year				
Cash and cash equivalents	**923.9**	1,127.2	**0.9**	0.2
Bank borrowings	**(680.0)**	(789.9)	**(88.4)**	(127.0)
Bonds	**(250.2)**	–	**(250.2)**	–
Derivative financial assets	**25.5**	0.4	**25.0**	–
	19.2	337.7	**(312.7)**	(126.8)
Due after 1 year				
Bonds	**(546.5)**	(796.7)	**(546.5)**	(796.7)
Preferred securities	**(132.2)**	(139.8)	**–**	–
Derivative financial assets	**22.4**	22.7	**22.4**	22.7
Total net debt	**(637.1)**	(576.1)	**(836.8)**	(900.8)

Reconciliation of net cash flow to movement in net debt

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£m	£m	£m	£m
Increase in cash in the year/ period	**90.2**	254.5	**0.7**	0.2
Bank loan repayments less new drawings	**143.5**	(519.9)	**38.7**	(101.0)
Change in net debt resulting from cash flows	**233.7**	(265.4)	**39.4**	(100.8)
Foreign exchange movements	**(67.0)**	(29.4)	**(0.1)**	(0.2)
Movement on derivative financial assets and liabilities	**24.8**	23.8	**24.7**	20.0
Bond valuation adjustment	**–**	0.1	**–**	0.1
Reclassification to assets held for sale	**(252.5)**	–	**–**	–
Net debt at the start of the year/ period	**(576.1)**	(305.2)	**(900.8)**	(819.9)
Net debt at the end of the year/ period	**(637.1)**	(576.1)	**(836.8)**	(900.8)

26 . Share capital and premium

Ordinary shares issued and fully paid

	Number of shares	Ordinary shares[1]	Share premium	Total
	millions	£m	£m	£m
At 1 April 2014	271.1	18.8	–	18.8
Issue of shares to the Employee Benefit Trust	1.5	0.1	–	0.1
Rights issue	74.3	5.0	957.7	962.7
At 31 December 2014	346.9	23.9	957.7	981.6
Issue of shares	**1.0**	**0.1**	**–**	**0.1**
Issue of shares to the Employee Benefit Trust	**0.4**	**–**	**2.3**	**2.3**
At 31 December 2015	**348.3**	**24.0**	**960.0**	**984.0**

1. Ordinary Shares of $6^{79}/_{86}$p

In the current year, the Group issued 1,000,000 ordinary shares (period ended 31 December 2014: 1,500,000 ordinary shares) at par value $6^{79}/_{86}$ pence to the Employee Benefit Trust in relation to the Group's employee share option schemes.

In addition, the Group issued 419,602 ordinary shares of par value $6^{79}/_{86}$ pence at 564.663 pence to settle employee 'Save As You Earn' share plans. This generated a premium of £2.3 million.

In the prior period, the Group announced a 3 for 11 Rights Issue on 22 August 2014 in relation to the acquisition of the Frank Russell Company. The Rights Issue took place on 11 September 2014 and constituted 74,347,813 new ordinary shares of par value $6^{79}/_{86}$ pence at 1,295 pence. This generated share premium of £957.7 million. The new ordinary shares issued during the Rights Issue have the same rights as the other shares in issue.

27. Provisions

Group	Property £m	Other £m	Total £m
1 January 2015	14.4	–	**14.4**
Utilised during the year	(1.1)	–	**(1.1)**
Unwinding of discount on provision	1.2	–	**1.2**
Provisions no longer required	(3.5)	–	**(3.5)**
Additional charge in the year	–	0.9	**0.9**
Reclassification to liabilities directly associated with assets held for sale	(0.8)	(0.3)	**(1.1)**
31 December 2015	10.2	0.6	**10.8**
Current	0.9	0.6	**1.5**
Non-current	9.3	–	**9.3**
31 December 2015	10.2	0.6	**10.8**

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between 1 and 13 years to expiry.

Other provisions primarily include legal provisions in relation to ongoing disputes with third parties and other claims against the Group. These claims are expected to be settled in the next financial year.

The Company has no provisions.

28. Net cash flow generated from operations

		Group		Company	
		Year ended 31 December 2015	Period ended 31 December 2014	Year ended 31 December 2015	Period ended 31 December 2014
	Notes	£m	£m	£m	£m
Profit before taxation		**433.7**	191.0	**46.5**	166.0
Depreciation and amortisation		**217.4**	136.3	**–**	–
Profit on disposal of investment in a subsidiary	10	**(19.9)**	(0.1)	**–**	–
Net finance expense/(income)	8,10	**66.2**	51.1	**(91.2)**	(128.5)
Increase/(decrease) in inventories		**2.7**	(5.9)	**–**	–
Decrease/(increase) in trade and other receivables		**104.2**	0.7	**153.2**	(3.7)
(Increase)/decrease in trade and other payables		**(19.2)**	(14.2)	**34.4**	10.4
Impairment of goodwill and intangibles	14	**1.0**	22.0	**–**	–
(Increase)/decrease in CCP financial assets		**(31,702.3)**	20,425.6	**–**	–
Increase/(decrease) in CCP clearing business liabilities		**31,649.4**	(20,380.1)	**–**	–
Decrease in assets held at fair value		**2.7**	5.0	**–**	–
Defined benefit pension obligation – contributions in excess of expenses charged		**(2.8)**	(3.1)	**–**	–
Provisions utilised during the year/period		**(4.6)**	(6.9)	**–**	–
Reduction in obligation arising from acquisition of business		**–**	(2.4)	**–**	–
Share scheme expense		**32.1**	4.2	**–**	–
Foreign exchange losses on operating activities		**(4.6)**	(9.8)	**(24.7)**	(13.7)
Purchase of investment funds		**(21.1)**	–	**–**	–
Gain on disposal of property, plant and equipment and assets held for sale		**(0.8)**	–	**–**	–
Cash generated from operations		**734.1**	413.4	**118.2**	30.5
Comprising:					
Ongoing operating activities		**803.7**	481.3	**159.9**	(4.1)
Non-recurring items		**(69.6)**	(67.9)	**(41.7)**	34.6
		734.1	413.4	**118.2**	30.5

29. Commitments and contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £0.9 million (period ended 31 December 2014: £1.9 million) and nil (period ended 31 December 2014: nil), respectively.

In the normal course of business, the Group and Company receive legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from the Group or Company, a provision is made representing the expected cost of settling such claims.

Notes to the financial statements continued

30. Business combinations

Acquisitions in the year to 31 December 2015

The Group made 2 acquisitions in the year ended 31 December 2015.

Exactpro Systems Limited

On 29 May 2015, the Group acquired a 100% interest in Exactpro Systems Limited (Exactpro) for a total consideration of US$6.8 million (£4.3 million), comprising £2.2 million cash consideration and £2.1 million deferred consideration. The main activity of Exactpro is to provide quality assurance to exchanges, investment banks, brokers and other financial sector organisations worldwide. The provisional fair value of net assets acquired was £1.4 million and the Group recognised £2.9 million in goodwill; these fair values will be finalised within 12 months of the acquisition date.

The Group's consolidated income statement for the year includes revenue of £1.6 million and operating profit of £0.9 million in respect of the Exactpro business since the acquisition date.

If the acquisition had occurred on 1 January 2015, the estimated Group revenue for the year from continuing operations would have been £1,327.5 million, with operating profit (before amortisation of purchased intangible assets and non-recurring items) of £582.9 million. These amounts have been calculated using the Group's accounting policies and based on available information.

XTF Inc.

On 21 December 2015, the Group acquired the trade and assets from XTF Inc. (XTF) for consideration of US$1.5 million (£1.0 million). Cash consideration amounting to £0.7 million was paid to the seller in the year ended 31 December 2015, and an estimated £0.3 million is payable on completion of the purchase price exercise. XTF is a U.S. based provider of high-quality ETF data, analytics and ratings. The Group recognised provisional goodwill of £1.0 million and the provisional fair value of net assets acquired was nil. The fair values are preliminary and will be finalised within 12 months of the acquisition date. The post acquisition revenues and operating profit attributable to the XTF assets were not material to the Group. If the acquisition had occurred on 1 January 2015, the results of XTF would have had an immaterial impact on the Group's revenue and operating profit from continuing operations for the year ended 31 December 2015.

None of the goodwill in relation to the 2 acquisitions in the year is expected to be deductible for tax purposes.

Acquisitions in the period to 31 December 2014

The Group made 2 acquisitions during the period ended 31 December 2014.

Frank Russell Company

On 2 December 2014, the Group completed the acquisition of the entire issue share capital of Frank Russell Company (Russell). Russell operated in 2 segments, those being information services through its index business and investment management. The index business is a leading provider of benchmarks to US-focused equity funds and also provides customised and innovative index solutions for clients. The investment management business held US$273 billion assets under management at the end of December 2014 and is a leading provider of multi-asset class investment solutions to institutional and retail investors worldwide.

The consideration paid by the Group at completion was £1,678.5 million comprising approximately £962.7 million financed from the net proceeds of a Rights Issue and the remaining financed in US dollars by the Group's multi-currency bank debt facilities, including a £600 million multi-currency revolving credit facility.

In the prior period, the Group recognised £476.0 million in provisional goodwill and the provisional fair value of net assets identified was £1,209.9 million, including £1,514.0 million of other intangibles assets.

Subsequent to the period ended 31 December 2014, the Group completed the exercise of attributing fair value adjustments to the assets and liabilities acquired from the Frank Russell Company. As a result, final fair value adjustments have been made to the previously presented provisional fair values at 31 December 2014 resulting in a reduction in the value of purchase consideration of £9.1 million and an increase in other receivables of £9.1 million. The impact of these final fair value adjustments is a decrease in goodwill of £9.1 million to amounts previously disclosed in our 31 December 2014 Annual Report and Interim Report 2015. These have been incorporated with effect from the date of acquisition and the comparative balance sheet and related notes have been revised to reflect these fair value adjustments.

Bonds.com Group

On 8 May 2014, the Group acquired 100% of Bonds.com Group, a US-based electronic trading platform for U.S. corporate and emerging market bonds for a consideration of £8.8 million. As at 31 December 2014, the Group recognised £8.7 million in goodwill and the fair value of net assets identified was £0.1 million.

The valuation on the acquisition of Bonds.com was finalised during the year ended 31 December 2015 and resulted in a reduction of goodwill of £2.6 million, an increase in purchased intangibles of £4.4 million and an increase in deferred tax liability of £1.8 million compared to amounts previously disclosed in our 31 December 2014 Annual Report and Interim Report 2015. The impact of these final fair value adjustments have been incorporated with effect from the date of acquisition and the comparative balance sheet and related notes have been revised.

31. Leases

Operating lease commitments – Group as lessee

The Group leases various office properties and equipment under non-cancellable operating leases. The total future minimum lease payments under non-cancellable operating leases are due as follows:

	Property		Equipment	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Leases expiring in:	£m	£m	£m	£m
Less than 1 year	**25.4**	46.0	**0.1**	0.3
More than 1 year but less than 5 years	**85.8**	145.1	**–**	0.1
More than 5 years	**81.4**	120.0	**–**	–
	192.6	311.1	**0.1**	0.4

Operating lease payments of £25.8 million (31 December 2014: £20.6 million) were charged to the income statement in the year in relation to property and £0.6 million (31 December 2014: £0.7 million) in the year in relation to equipment.

Operating lease commitments – Group as lessor

The total future minimum lease payments expected to be received under non-cancellable operating leases for property where the Group is lessor are due as follows:

	Property	
	31 December 2015	31 December 2014
Leases expiring in:	£m	£m
Less than 1 year	**6.6**	5.7
More than 1 year but less than 5 years	**25.0**	19.5
More than 5 years	**7.8**	4.1
	39.4	29.3

Finance lease commitments – Group as lessee

The Group has finance lease contracts for certain property rentals and software licenses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31 December 2015		31 December 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Leases expiring in:	£m	£m	£m	£m
Less than 1 year	**0.2**	**0.2**	6.1	5.8
More than 1 year but less than 5 years	**–**	**–**	5.3	5.2
Total minimum lease payments	**0.2**	**0.2**	11.4	11.0
Less amounts representing finance charges	**–**	**–**	(0.4)	–
Present value of minimum lease payments	**0.2**	**0.2**	11.0	11.0

The Company has no lease commitments.

Finance lease commitments – Group as lessor

The Group has finance lease contracts for certain property rentals and software licenses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31 December 2015		31 December 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Leases expiring in:	£m	£m	£m	£m
Less than 1 year	**0.7**	**0.6**	0.7	0.6
More than 1 year but less than 5 years	**1.5**	**1.4**	2.3	2.1
More than 5 years	**–**	**–**	–	–
Total minimum lease payments	**2.2**	**2.0**	3.0	2.7
Less amounts representing finance charges	**(0.2)**	**–**	(0.3)	–
Present value of minimum lease payments	**2.0**	**2.0**	2.7	2.7

The Company has no lease commitments.

Notes to the financial statements continued

32. Share Schemes

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2015 AGM, has 2 elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares – the latter element is not applicable to Executive Directors. Vesting of these awards is dependent upon the Company's total shareholder return performance and adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 70–87.

The SAYE scheme and International Sharesave Plan provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20% below fair market value. Share awards were granted at nil cost to employees and other share options were granted at fair market value or above.

The Group has an ESOP discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end, 462,378 (period ended 31 December 2014: 595,179) shares were held by the trust, funded in part by an interest free loan from the Group and in part by the issue of 1.4 million shares (period ended 31 December 2014: 1.5 million) shares.

The Company has no employees but, in accordance with IFRS 10 "Consolidated financial statements", has the obligation for the assets, liabilities, income and costs of the ESOP trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

	Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
31 March 2014	138,033	9.25	866,883	8.25	6,392,726	0.40
Granted	7,789	8.36	394,839	13.12	2,360,574	0.04
Exercised	(46,560)	8.83	(5,568)	6.23	(1,578,435)	0.79
Lapsed/forfeited	–	–	(96,163)	6.23	(300,971)	–
31 December 2014	99,262	8.36	1,159,991	9.44	6,873,894	0.17
Granted	**–**	**–**	**247,582**	**20.54**	**2,148,055**	**–**
Exercised	**(60,152)**	**8.73**	**(422,081)**	**5.67**	**(1,397,635)**	**0.79**
Lapsed/forfeited	**(2,768)**	**7.73**	**(64,675)**	**12.89**	**(1,370,646)**	**0.07**
31 December 2015	**36,342**	**8.36**	**920,817**	**9.44**	**6,253,668**	**0.17**
Exercisable at:						
31 December 2015	**36,342**	**7.79**	**3,236**	**5.65**	**190,965**	**–**
31 December 2014	44,119	7.61	–	–	9,286	8.9

The weighted average share price of London Stock Exchange Group plc shares during the year was £24.89 (period ended 31 December 2014: £19.69).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	31 December 2015		31 December 2014	
	Number outstanding	Weighted average remaining contractual life Years	Number outstanding	Weighted average remaining contractual life Years
Share options				
Less than £7	**4,750**	**–**	9,128	–
Between £7 and £8	**20,140**	**–**	24,168	–
Between £8 and £9	**11,452**	**–**	65,966	0.3
SAYE				
Less than £7	**3,236**	**–**	424,262	0.1
Between £7 and £8	**187,720**	**–**	205,433	0.2
Between £8 and £9	**–**	**–**	–	–
More than £9	**729,861**	**0.8**	530,296	1.1
LTIP				
Nil	**6,253,668**	**1.0**	6,739,835	1.5
Between £8 and £9	**–**	**–**	134,059	–
Total	**7,210,827**	**1.4**	8,133,147	1.4

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

	Performance Shares			Matching Shares				Restricted Share Award			Share Save Plan
	2 April 2015	15 October 2015	18 November 2015	10 April 2015	15 April 2015	15 October 2015	18 November 2015	2 April 2015	15 October 2015	18 November 2015	5 May 2015
Grant date share price	£24.84	£24.75	£25.52	£25.85	£25.20	£24.75	£25.52	£24.84	£24.75	£25.52	£24.77
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	3 years	0.2 years to 2.9 years	0.4 years to 2.4 years	0.87 years to 2.87 years	3.15 years
Exercise price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	£20.42
Dividend yield	1.4%	1.1%	1.1%	1.4%	1.4%	1.1%	1.1%	1.4%	1.1%	1.1%	0.9%
Risk-free interest rate	0.7%	0.7%	0.9%	0.7%	0.7%	0.7%	0.9%	0.4% to 0.7%	0.4% to 0.6%	0.4% to 0.9%	1.0%
Volatility	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
Fair value	–	–	–	–	–	–	–	£23.81 to £24.84	£23.95 to £24.63	£24.47 to £25.16	£6.09
Fair value TSR	£7.00	£6.98	£7.20	£7.23	£7.05	£6.98	£7.20	n.a.	n.a.	n.a.	n.a.
Fair value EPS	£23.81	£23.94	£24.69	£24.78	£24.16	£23.94	£24.69	n.a.	n.a.	n.a.	n.a.

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

33. Transactions with Related Parties

Key management compensation

Compensation for Directors of the Company and key personnel who have authority for planning, directing and controlling the Group:

	Year ended 31 December 2015	Period ended 31 December 2014
	£m	£m
Salaries and other short term benefits	**13.0**	9.7
Pensions	**0.9**	0.8
Share based payments	**13.1**	7.9
	27.0	18.4

Notes to the financial statements continued

Inter-company transactions with subsidiary undertakings
The Company has loans with some subsidiary undertakings. Details as at 31 December 2015 are shown in the table below:

	Amount in millions (owed to)/due from as at				Interest in millions (charge) /credit	
Loan counterparty	**31 December 2015**	**31 December 2014**	**Term**	**Interest rate as at 31 December 2015**	**Year ended 31 December 2015**	**Period ended 31 December 2014**
London Stock Exchange plc	**£(170.9)m**	£(158.0)m	25 years from May 2006 with 5 equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	**£(4.4)m**	£(3.4)m
London Stock Exchange Employee Benefit Trust	**£21.0m**	£13.2m	Repayable on demand.	Non-interest bearing	**nil**	nil
London Stock Exchange Group Holdings (Italy) Limited	**€97.7m**	€201.2m	Fifth anniversary of the initial utilisation date which was April 2013.	EURIBOR plus 1.5% per annum	**€2.4m**	€1.0m
London Stock Exchange Group Holdings Limited	**£340.0m**	£416.3m	Tenth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	**£18.3m**	£16.0m
LSE Reg Holdings Limited	**€13.5m**	€2.7m	Fifth anniversary of the initial utilisation date which was December 2013.	EURIBOR plus 1.2% per annum	**–**	–
LSE Reg Holdings Limited	**£(1.0)m**	£0.4m	Fifth anniversary of the initial utilisation date which was December 2013.	LIBOR plus 1.2% per annum	**–**	–
London Stock Exchange (C) Limited	**€48.4m**	€55.7m	Fifth anniversary of the initial utilisation date which was April 2012.	EURIBOR plus 1.5% per annum	**€0.7m**	€0.6m
London Stock Exchange (C) Limited	**£12.2m**	£8.6m	Fifth anniversary of the initial utilisation date which was April 2012.	LIBOR plus 1.5% per annum	**£0.2m**	£0.1m
London Stock Exchange Group Holdings (Luxembourg) Ltd	**$17.4m**	$5.8m	Fifth anniversary of the initial utilisation date which was December 2014.	LIBOR plus 1.5% per annum	**$0.1m**	nil
LSEG Employment Services Limited	**£11.0m**	nil	Fifth anniversary of the initial utilisation date which was January 2015.	LIBOR plus 1.2% per annum	**£0.1m**	nil

During the period, the Company charged in respect of employee share schemes £3.7 million (period ended 31 December 2014: £1.5 million) to London Stock Exchange plc, £5.0 million (period ended 31 December 2014: nil) to LSEG Employment Services Limited, £0.7 million (period ended 31 December 2014: £0.1 million) to London Stock Exchange Group Holdings Inc, £0.3 million (period ended 31 December 2014: £0.1 million) to SSC Global Business Services Limited (previously London Stock Exchange (OV) Limited), £0.2 million (period ended 31 December 2014: £0.1 million) to Turquoise Global Holdings Limited, £0.2 million (period ended 31 December 2014: nil) to UnaVista Limited, £3.1 million (period ended 31 December 2014: £0.7 million) to London Stock Exchange Group Holdings (Italy) Ltd, £1.1 million (period ended 31 December 2014: £0.2 million) to Millennium Group, £1.9 million (period ended 31 December 2014: £0.2 million) to FTSE Group, £4.3 million (period ended 31 December 2014: £1.4 million) to LCH.Clearnet Group and £0.7 million (period ended 31 December 2014: nil) to the Frank Russell Group.

The Company received dividends of £125.2 million (period ended 31 December 2014: £156.0 million) from its subsidiary London Stock Exchange plc.

The Group had £0.2 million (31 December 2014: nil) receivable from associates.

34. Events after the reporting period
On 23 February 2016, the Group confirmed that detailed discussions about a potential merger of equals was under way with Deutsche Börse.

The potential merger would be structured as an all-share merger of equals under a new holding company. Under the terms of the potential merger, LSEG shareholders would be entitled to receive 0.4421 new shares in exchange for each LSEG share and Deutsche Börse shareholders would be entitled to receive 1 new share in exchange for each Deutsche Börse share. Based on this exchange ratio, the parties anticipate that Deutsche Börse shareholders would hold 54.4%, and LSEG shareholders would hold 45.6% of the enlarged issued and to be issued share capital of the combined group. The combined group would have a unitary board composed of equal numbers of LSEG and Deutsche Börse Directors.

Discussions between the parties remain ongoing and any transaction would be subject to regulatory approval, Group shareholder approval and Deutsche Börse shareholders' acceptance, as well as other customary conditions.

35. Other Statutory Information
Auditors' remuneration payable to Ernst and Young LLP and its associates comprise the following:

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

During the period ended 31 December 2014, PricewaterhouseCoopers LLP, the Group's previous auditor, and its associates charged £0.9 million in relation to their audits of material subsidiaries of the Group, and £1.5 million in relation to non-audit services. These amounts are excluded from the table above.

Further details of the services provided by Ernst and Young LLP are given in the Report of the Audit Committee on pages 64–67.

Directors' emoluments comprise the following:

	Year ended 31 December 2015 £m	Period ended 31 December 2014 £m
Salary and fees	**3.2**	2.5
Performance bonus	**3.0**	2.1
Gains made on share awards	**4.5**	5.2
Benefits	**0.3**	0.3
	11.0	10.1
Contributions to defined contribution schemes	**0.6**	0.5
	11.6	10.6

During the year, 1 Director (period ended 31 December 2014: 1) had retirement benefits accruing under defined contribution schemes and 1 Director (period ended 31 December 2014: 1) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Remuneration Report on pages 70–87.

Related undertakings
A list of the Group's subsidiaries as at 31 December 2015 is given below including the percentage of each class held and the Group's ownership percentages.

The share ownership percentage records the percentage of each subsidiary's share capital owned within the LSEG Group. Shares owned directly by LSEG plc are listed as being a "direct" shareholding, shares owned by other LSEG Group companies are listed as an "indirect (group interest)" shareholding. Where more than 1 LSEG Group company owns shares in a subsidiary these interests have been added together. The ultimate economic interest percentage on the other hand does not show actual share ownership. It records LSEG plc's effective interest in the subsidiary, allowing for situations where subsidiaries are owned by partly owned intermediate subsidiaries.

All subsidiaries are consolidated in the Group's financial statements.

Name of subsidiary undertaking	Country of incorporation	Identity of each class of share held in the subsidiary undertaking	Direct or indirect holding	Share ownership %	LSEG plc ultimate economic interest %
A Street Investment Associates, Inc	United States	Common	Indirect (group interest)	100	100
BANQUE CENTRALE DE COMPENSATION (LCH.Clearnet SA)	France	Ordinary	Indirect (group interest)	100	57.8
BIRR Portfolio Analysis Inc	United States	Common	Indirect (group interest)	100	100
Bit Market Services S.p.A.	Italy	Ordinary	Indirect (group interest)	99.99	99.99
Bondclear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Bondnet Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Borsa Italiana SpA	Italy	Ordinary	Indirect (group interest)	99.99	99.99
Cassa Di Compensazione e Garanzia SpA (CC&G)	Italy	Ordinary	Indirect (group interest)	99.99	99.99
Equityclear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
EuroMTS Limited	UK	Ordinary A	Indirect (group interest)	100	60.36
EuroTLX SIM SpA	Italy	Ordinary	Indirect (group interest)	70	69.99
Exactpro Systems Limited	UK	Ordinary	Indirect (group interest)	100	100
Exactpro Systems, LLC	United States		Indirect (group interest)	100	100
Exactpro, LLC	Russian Federation		Indirect (group interest)	100	100
ForexClear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Frank Russell Company	United States	Common	Indirect (group interest)	100	100
Frank Russell Investment Partners 1997-2 GP	United States	Partnership	Indirect (group interest)	100	100
Frank Russell Investment Partners 1997-1 GP	United States	Partnership	Indirect (group interest)	100	100
FRF Partners II LLC	United States	Class B	Indirect (group interest)	98.16	98.16
FRF Partners IV LP	United States	Partnership	Indirect (group interest)	99.34	99.34
FTSE (Australia) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE (Beijing) Consulting Limited	China	Ordinary	Indirect (group interest)	100	100
FTSE (Japan) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE Americas, Inc	United States		Indirect (group interest)	100	100
FTSE China Index Ltd	Hong Kong	Ordinary	Indirect (group interest)	100	100
FTSE International (France) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE International (Hong Kong) Limited	Hong Kong	Ordinary	Indirect (group interest)	100	100
FTSE International (India) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE International (Italy) Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE International (MEA) Ltd	United Arab Emirates	Ordinary	Indirect (group interest)	100	100
FTSE International Brasil Representacoes LTDA	Brazil	Ordinary	Indirect (group interest)	100	100

Name of subsidiary undertaking	Country of incorporation	Identity of each class of share held in the subsidiary undertaking	Direct or indirect holding	Share ownership %	LSEG plc ultimate economic interest %
FTSE International Limited	UK	Ordinary	Indirect (group interest)	100	100
FTSE Mexico Sociedad	Mexico	Ordinary	Indirect (group interest)	100	100
FTSE TMX Global Debt Capital Markets Inc[1]	Canada	Ordinary	Indirect (group interest)	100	73.94
FTSE TMX Global Debt Capital Markets Limited[1]	UK	Ordinary A	Indirect (group interest)	100	72.74
		Ordinary B		11.03	1.2
Gatelab Limited	UK	Ordinary	Indirect (group interest)	100	67
Gatelab Srl	Italy	Ordinary	Indirect (group interest)	67	67
globeSettle SA	Luxembourg	Ordinary	Indirect (group interest)	100	100
Innovate Mortgages Limited	UK	Ordinary	Indirect (group interest)	100	100
Innovative Trading Systems UK Limited	UK	Ordinary	Indirect (group interest)	100	100
Innovative Trading Systems, LLC	Russian Federation	Ordinary	Indirect (group interest)	100	100
International Commodities Clearing House Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH Pensions Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet (Luxembourg) S.A.R.L	Luxembourg	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet Funding LP	UK	Capital Contribution	Indirect (group interest)	100	57.8
LCH.Clearnet GP Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet Group Limited	UK	Ordinary (Non Voting)	Indirect (group interest)	100	57.8
		Ordinary (Voting)		57.8	
LCH.Clearnet Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet LLC	United States	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet PLP Limited	UK	Ordinary	Indirect (group interest)	100	57.8
LCH.Clearnet Service Company Limited	UK	Ordinary	Indirect (group interest)	100	57.8
London Stock Exchange (C) Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Group (Services) Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Group Holdings (Italy) Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Group Holdings (R) Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Group Holdings Italia S.p.A	Italy	Ordinary	Indirect (group interest)	100	100
London Stock Exchange Group Holdings Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Plc	UK	Ordinary	Direct	100	100
London Stock Exchange Reg Holdings Limited	UK	Ordinary	Direct	100	100
London Stock Exchange Connectivity Solutions LP	UK	Partnership	Indirect (group interest)	100	100
LSEG Business Services Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG Derivatives Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG Employment Services Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG Information Services (US), Inc.	United States	Ordinary	Indirect (group interest)	100	100
LSEG LuxCo 1 S.a.r.l	Luxembourg	Ordinary	Indirect (group interest)	100	100
LSEG LuxCo 2 S.a.r.l	Luxembourg	Ordinary	Indirect (group interest)	100	100
LSEG Pension Trustees Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG Post Trade Services Limited	UK	Ordinary	Indirect (group interest)	100	100
LSEG US Holdco, Inc.	United States	Common	Direct	100	100
LSEGH (Luxembourg) Limited	UK	Ordinary	Direct	100	100
LSEGH Inc.	United States		Indirect (group interest)	100	100
LSEM LLC	Mongolia	Ordinary	Indirect (group interest)	100	100
Marché de TitreS France (MTS France)	France	Ordinary	Indirect (group interest)	100	60.36
MillenniumIT (US) Inc	United States		Indirect (group interest)	100	100
Millennium Information Technologies (India) (Private) Limited	India	Ordinary	Indirect (group interest)	100	100
Millennium Information Technologies Limited	Sri Lanka	Ordinary	Indirect (group interest)	100	100
Millennium It Software Limited	Sri Lanka	Ordinary	Indirect (group interest)	100	100
Millennium Information Technologies Limited (UK Branch)	UK	N/A	Indirect (group interest)	100	100
Millennium It Software Limited (UK Branch)	UK	N/A	Indirect (group interest)	100	100
Millennium Software (Canada) Inc	Canada		Indirect (group interest)	100	100
MillenniumIT Software Limited (Hong Kong Branch)	Hong Kong	N/A	Indirect (group interest)	100	100
MillenniumIT Software Limited (Singapore Branch)	Singapore	N/A	Indirect (group interest)	100	100
Monte Titoli SpA	Italy	Ordinary	Indirect (group interest)	98.87	98.86
MTS Markets International Inc.	United States	Ordinary	Indirect (group interest)	100	60.36
MTS SpA	Italy	Ordinary	Indirect (group interest)	100	60.36
Mtsnext Limited	UK	Ordinary	Indirect (group interest)	100	73.94
On-Line Partnership Group Limited	UK	Ordinary	Indirect (group interest)	100	100
Pension Benchmark Corporation	United States		Indirect (group interest)	100	100
Repoclear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Reponet Limited	UK	Ordinary	Indirect (group interest)	100	57.8
Russell Capital Inc.	United States	Common	Indirect (group interest)	100	100
Russell Employee Benefits Pty Ltd	Australia	Ordinary	Indirect (group interest)	100	100

Name of subsidiary undertaking	Country of incorporation	Identity of each class of share held in the subsidiary undertaking	Direct or indirect holding	Share ownership %	LSEG plc ultimate economic interest %
Russell Financial Services India Private Ltd	India	Ordinary	Indirect (group interest)	100	100
Russell Financial Services, Inc.	United States	Common	Indirect (group interest)	100	100
Russell Financial Solutions Pty Ltd	Australia	Ordinary	Indirect (group interest)	100	100
Russell Fund Services Company	United States	Common	Indirect (group interest)	100	100
Russell Implementation Services Inc.	United States	Common	Indirect (group interest)	100	100
Russell Implementation Services Limited	UK	Ordinary	Indirect (group interest)	100	100
Russell Institutional Funds Management, LLC	United States	Membership	Indirect (group interest)	100	100
Russell Insurance Agency, Inc.	United States	Common	Indirect (group interest)	100	100
Russell International Services Company Inc.	United States	Common	Indirect (group interest)	100	100
Russell Investment Advisors (Shanghai) Co., Ltd	China		Indirect (group interest)	100	100
Russell Investment Group Japan Co., Ltd	Japan	Ordinary	Indirect (group interest)	100	100
Russell Investment Group Limited	New Zealand	Ordinary	Indirect (group interest)	100	100
Russell Investment Group Private Limited	Singapore	Ordinary	Indirect (group interest)	100	100
Russell Investment Group Pty Ltd	Australia	Ordinary	Indirect (group interest)	100	100
Russell Investment Management Ltd	Australia	Ordinary	Indirect (group interest)	100	100
Russell Investment Management Company	US		Indirect (group interest)	100	100
Russell Investment Tujajamun Chusik Hoesa	Korea, Republic of	Ordinary	Indirect (group interest)	100	100
Russell Investments Canada Limited	Canada	Ordinary	Indirect (group interest)	100	100
Russell Investments Cayman Ltd	Cayman Islands	Ordinary	Indirect (group interest)	100	100
Russell Investments Delaware Inc.	United States	Common	Indirect (group interest)	100	100
Russell Investments France SAS	France	Ordinary	Indirect (group interest)	100	100
Russell Investments Group Inc	United States	Common	Indirect (group interest)	100	100
Russell Investments Hong Kong Limited	Hong Kong	Ordinary	Indirect (group interest)	100	100
Russell Investments Ireland Ltd.	Ireland	Ordinary	Indirect (group interest)	100	100
Russell Investments Japan Co., Ltd	Japan	Ordinary	Indirect (group interest)	100	100
Russell Investments Limited	UK	Ordinary	Indirect (group interest)	100	100
Russell Investments South Africa Limited	South Africa	Ordinary	Indirect (group interest)	100	100
Russell Multi Asset Conservative Strategy Fund	UK		Indirect (group interest)	54	59
Russell Multi Asset Growth Fund	UK		Indirect (group interest)	100	100
Russell Systems Limited	UK	Ordinary	Indirect (group interest)	100	100
Russell Real Estate Advisors Inc.	United States	Common	Indirect (group interest)	100	100
Russell Trust Company	United States	Common	Indirect (group interest)	100	100
SSC Global Business Services Limited	UK	Ordinary	Indirect (group interest)	100	100
Stock Exchange (Holdings) Limited(The)	UK	Ordinary	Indirect (group interest)	100	100
Swapclear Limited	UK	Ordinary	Indirect (group interest)	100	57.8
The London Clearing House Limited	UK	Ordinary	Indirect (group interest)	100	57.8
The London Produce Clearing House Limited	UK	Ordinary	Indirect (group interest)	100	57.8
The London Stock Exchange Retirement Plan Trustee Company Limited	UK	Ordinary	Indirect (group interest)	100	100
The On-Line Partnership Limited	UK	Ordinary	Indirect (group interest)	100	100
The Whitechurch Network Limited	UK	Ordinary	Indirect (group interest)	100	100
Total Risk Management Pty Limited	Australia	Ordinary	Indirect (group interest)	100	100
Turquoise Global Holdings Limited	UK	Ordinary A	Indirect (group interest)	100	51.36
Turquoise Trading Limited	UK	Ordinary	Indirect (group interest)	100	51.36
U.S. One, Inc	United States	Common	Indirect (group interest)	100	100
UnaVista LEI Limited	UK	Ordinary	Indirect (group interest)	100	100
Unavista Limited	UK	Ordinary	Indirect (group interest)	100	100

1. The absolute indirect (group interest) and direct holdings by the London Stock Exchange Group is 75.75%

The Group's associate undertakings were:

Associate name	Country of incorporation	Identity of each class of share held in the subsidiary undertaking	Direct or indirect holding	Share ownership % held by the Parent Company	Group ultimate economic interest %
GGEP Investments (Bermuda). Ltd	Bermuda	Common	Indirect (group interest)	30	30
GGEP Investments LLC	United States	Common	Indirect (group interest)	30	30
GGEP Management (Bermuda) Limited	Bermuda	Common	Indirect (group interest)	30	30
GGEP Management LLC	United States	Common	Indirect (group interest)	30	30
MTS Associated Markets S.A.	Italy	Ordinary A	Indirect (group interest)	21.26	12.83

The accounting reference dates for all of the associates are 31 December.

Independent Auditor's Report to the members of London Stock Exchange Group plc

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the nine months then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of London Stock Exchange Group plc for the nine months ended 31 December 2014 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, Company Cash Flow Statement, Group Statement of Changes in Equity and Company Statement of Changes in Equity and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 113, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement and responses to those risks

The table below shows the risks we identified that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team together with our audit response to the risk.

Risk	Response
The risk that goodwill and other intangible assets may be impaired The Group holds significant intangible assets on its balance sheet, including goodwill, customer and supplier relationships, brands, software licences, intellectual property, and internally capitalised software. On an annual basis, management are required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of other intangible assets. Where indicators of impairment of other intangible assets are identified, a full impairment assessment is performed. These assessments involve significant management judgment in the application of valuation models and assumptions. As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management. This risk is also described in the Report of the Audit Committee on page 76 of the Annual Report, as well as in Note 4 to the financial statements.	**Audit procedures over the risk that goodwill may be impaired** We examined the cash flow forecasts which support management's goodwill impairment review. We assessed the reasonableness of those forecasts and the evidence supporting the underlying assumptions, by comparing to approved budgets, considering prior budget accuracy, and comparing expected growth rates to relevant market expectations. We tested the weighted-average cost of capital discount rates assigned to the cash generating units, as well as the long-term growth rate, with reference to our understanding of the business, comparisons to other similar companies and broader market considerations. We engaged EY valuation experts to support us with this analysis, and also assessed the work of management's third-party expert in reaching our own conclusion. We performed sensitivity analysis on the key inputs to impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying value. **Audit procedures over the risk that other intangible assets may be impaired** For other intangible assets, we tested management's assessment as to whether indicators of impairment exist, by reference to factors specific to each class of assets (no such indicators were identified). Examples included customer retention rates within specific business lines, future plans in respect of the use of developed software and the current returns made on intellectual property. We also assessed the appropriateness of the amortisation period, and compared management's forecasts against historic data, to understand whether the periods remained appropriate. **Error identified** As described in Note 2 to the financial statements, during the course of the interim review of the six months to 30 September 2014, errors were identified in respect of the accounting for acquisitions that had occurred in prior periods, relating to goodwill and deferred tax. We performed audit procedures to substantiate the adjustment made, including validating the inputs to management's calculations, assessing the reasonableness of tax rates used and testing the accounting impact on brought forward balances.
Risk of fraud in recognition of revenue in secondary capital markets trading and fees or revenue shares for clearing arrangements Compensation tied to the performance of the entity may create an incentive for management to manipulate results. We have identified two revenue streams as having heightened risk of misstatement, being capital markets' trading, and fees or revenue sharing in respect of clearing arrangements. They were selected for the following reasons: — Secondary capital markets' revenue involves complex pricing structures based on product types, customer activity and volumes. This complexity leads to a heightened risk that revenue may not be recognised appropriately, either as a result of fraud or error. — Contracts relating to fee or revenue sharing in respect of revised clearing arrangements, between LCH.Clearnet and third-party participants, in some cases involve complex calculations to determine the correct level of revenue to recognise within the Group.	**Secondary capital markets trading** For secondary capital markets trading, we increased our sample sizes by 75% for transactional testing, whereby we agreed a random selection of transactions back to supporting audit evidence, such as receipt of cash or the underlying contractual agreements; where appropriate, we also recalculated the fee charged. We also used analytical tools to identify outliers in high volumes of transactional data for focused follow-up testing. This analysis included comparing the fee per transaction to volume (notional) traded, and investigating any particularly high values which were outliers to the overall population. **Clearing arrangements** In respect of fee and revenue sharing arrangements, we critically assessed the accounting treatment adopted by management, and performed testing to gain assurance that the specific contracts had been accounted for in accordance with this policy. We also tested the associated invoicing process for consistency with the agreements in place.

Independent Auditor's Report to the members of London Stock Exchange Group plc continued

Risk	Response
Risk of error in accounting for the acquisition of Frank Russell Company The Group undertook a significant acquisition on 2 December 2014, in close proximity to the period end. The acquired business includes activities that are not core to the Group's existing operations, and which are currently accounted for under a non-IFRS financial reporting framework. The acquired entity was consolidated into the Group's results from the date of acquisition. There is a risk of error in the: — Appropriate accounting for the acquisition, including the significant judgement involved in the determination of goodwill and other intangible assets. — Completeness and accuracy of disclosures relating specifically to the transaction, but also in respect of the impact of new business lines on pre-existing disclosures. — The conversion of the financial performance of the component from US GAAP to IFRS. — Compressed reporting timetable, compared to requirements prior to the acquisition. This risk is also described in the Report of the Audit Committee on page 76 of the Annual Report, as well as in Note 4 to the financial statements.	We visited the principal accounting location of the acquired subsidiary at the planning and completion stages of the audit, to meet with the component auditor and local management, to understand their approach to the period end reporting, key areas of judgement and their assessment of risk. In addition to procedures over the period end results of the new component, we instructed the auditor of the acquired subsidiary to perform an audit of the financial position as at the acquisition date. Alongside the Group audit team in performing the review of work undertaken by the component auditor, we involved specialists in the audit of asset management companies with experience in the differences between IFRS and US GAAP, as well as individuals knowledgeable of local taxation rules. Management engaged a third-party firm to perform the intangible asset fair value calculations and associated purchase-price allocation. We assessed the competency of the firm and examined and challenged key inputs into their analysis, including the deal model, deal value and allocation between the index and investment management divisions, the discount rates used, performance forecasts and the remaining useful lives of the intangible assets identified. We performed benchmarking of the above factors, where appropriate, to similar market participants, and undertook sensitivity analyses over these inputs to assess the impact of reasonable alternative assumptions on the results reached. We note that there is a 12 month period to finalise the allocation of intangible assets from the overall goodwill balance, accordingly, management's assessment is provisional at this time. **Post-balance sheet announcement** We considered the announcement made after the year end, to dispose of the investment management division of the acquired entity, in the context of IFRS 5 Non-current assets held for sale and discontinued operations. We obtained evidence of management's intentions and plans, through the review of Board minutes and market announcements, to gain assurance that the accounting and disclosure treatment adopted was appropriate.

Our application of materiality

We determined materiality for the group to be £12 million, which is 5% of pre-tax profit, adjusted to reverse non-recurring transaction costs of £54 million disclosed in note 8 to the financial statements. In comparison to the prior year, the level of materiality was, in part, impacted by the shorter accounting period.

This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of planning materiality, namely £6 million. Our objective in adopting this approach was to gain reasonable assurance that the total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

Audit work at individual components is undertaken based on a percentage of our total performance materiality; this is with the exception of the audit work conducted at the Group holding company, and the acquisition date audit of Frank Russell Company, which was performed to overall Group materiality level due to the nature of the Group balances and disclosures affected this financial information.

The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £1.2 million to £3.0 million.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £500k.

An overview of the scope of our audit

In establishing the scope of our audit, we considered the risk of material misstatement to the financial statements, as well as the internal organisation of the Group. We identified eight audit components, which cover the principal locations and businesses of the Group's domestic and overseas operations. These were:

— London Stock Exchange Group plc (full-scope)

— London Stock Exchange plc (full-scope)

— LCH.Clearnet Group Limited (full-scope)

— FTSE International Limited (full-scope)

— London Stock Exchange Group Holdings Italia Limited (full-scope)

— Turquoise Global Holdings Limited (specific-scope)

— MillenniumIT Software Private Limited (specific-scope)

— LSEG US Holdco, Inc., which contains the business of Frank Russell Company (full-scope for the acquisition audit and limited scope at the period end)

Components subject to a full scope audit account for over 90% of the Group's revenue, profit before tax and profit before tax before and after the reversal of the transaction costs noted above.

As detailed above, some components were subject to a full scope audit, and others were subject to audit procedures over specific accounts, with these components being designated as specific scope. All components, and where relevant, the specific accounts in scope, were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Having considered the timing and risks associated with its acquisition by the Group, we instructed the component auditor of LSEG US Holdco, Inc. (Frank Russell Company), to perform a full scope audit as at the date of acquisition (2 December 2014), and limited procedures for the period between the acquisition and period end dates. Limited procedures were also performed for all other components (four in total) not covered above, to confirm that there were no significant risks of material misstatement in the Group financial statements. In both cases, the limited procedures consisted primarily of analytical procedures, and enquiries of management.

Oversight of component auditors

A programme of planned visits was undertaken to ensure that the Group audit team visited each of the locations where the Group audit scope was focused. These visits included meetings with management and component auditors, to enable further understanding of business activities and the associated risks as well as any local audit considerations.

Whilst we oversaw the work of all components, there were two components audited by a different firm. In these cases, local EY teams, supported the Group team in performing enhanced review procedures over the working papers of the other firm. This was with the objective of gaining assurance over the quality of work performed, and the completeness and accuracy of deliverables to the Group audit team.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

— the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

— the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

— materially inconsistent with the information in the audited financial statements; or

— apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or

— is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit; or

Under the Listing Rules we are required to review:

— the directors' statement, set out on page 112, in relation to going concern; and

— the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Codes specified for our review.

Ernst & Young LLP

David Canning-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 March 2015

Notes:

1. The maintenance and integrity of the London Stock Exchange Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

Period ended 31 December 2014	Notes	Period ended 31 December 2014 Before acquisition amortisation and non-recurring items £m	Period ended 31 December 2014 Acquisition amortisation and non-recurring items £m	Period ended 31 December 2014 Total £m	Year ended 31 March 2014 Before acquisition amortisation and non-recurring items £m Restated	Year ended 31 March 2014 Acquisition amortisation and non-recurring items £m Restated	Year ended 31 March 2014 Total £m Restated
Continuing operations							
Revenue	5	**971.4**	**–**	**971.4**	1,088.3	–	1,088.3
Net treasury income through CCP business	5	**69.1**	**–**	**69.1**	109.8	–	109.8
Other income	5	**3.5**	**–**	**3.5**	11.5	–	11.5
Total income		**1,044.0**	**–**	**1,044.0**	1,209.6	–	1,209.6
Expenses							
Operating expenses	6	**(626.5)**	**(153.5)**	**(780.0)**	(698.4)	(158.1)	(856.5)
Impairment of purchased intangibles and goodwill	8	**–**	**(22.0)**	**(22.0)**	–	–	–
Share of profit after tax of associates	15	**0.1**	**–**	**0.1**	–	–	–
Operating profit/(loss)	8	**417.6**	**(175.5)**	**242.1**	511.2	(158.1)	353.1
Finance income		**2.3**	**–**	**2.3**	5.5	–	5.5
Finance expense		**(51.6)**	**(1.8)**	**(53.4)**	(74.3)	–	(74.3)
Net finance expense	9	**(49.3)**	**(1.8)**	**(51.1)**	(68.8)	–	(68.8)
Profit/(loss) before tax from continuing operations		**368.3**	**(177.3)**	**191.0**	442.4	(158.1)	284.3
Taxation	10	**(94.4)**	**40.8**	**(53.6)**	(124.7)	38.4	(86.3)
Profit/(loss) for the period/year		**273.9**	**(136.5)**	**137.4**	317.7	(119.7)	198.0
Profit/(loss) attributable to non-controlling interests		**28.2**	**(13.8)**	**14.4**	28.5	(15.8)	13.1
Profit/(loss) attributable to equity holders		**245.7**	**(122.7)**	**123.0**	289.2	(103.9)	184.9
		273.9	**(136.5)**	**137.4**	317.7	(119.7)	198.0
Earnings per share attributable to equity holders							
Basic earnings per share	11			**37.9p**			63.0p
Diluted earnings per share	11			**37.4p**			61.9p
Adjusted basic earnings per share	11			**75.6p**			98.6p
Adjusted diluted earnings per share	11			**74.7p**			96.9p
Dividend per share in respect of the financial period:	12						
Dividend per share paid during the period/year				**20.7p**			29.9p
Dividend per share declared for the period/year				**9.7p**			30.8p

Consolidated statement of comprehensive income

Period ended 31 December 2014	Notes	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m Restated
Profit for the financial period/year		**137.4**	198.0
Other comprehensive (loss)/income:			
Items that will not be subsequently reclassified to profit or loss			
Defined benefit pension scheme remeasurement loss	18	**(5.6)**	(1.3)
		(5.6)	(1.3)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge		**–**	(0.3)
Net investment hedge		**23.9**	(16.4)
Change in value of available for sale financial assets		**(2.8)**	6.1
Exchange loss on translation of foreign operations		**(104.6)**	(44.2)
Tax related to items not recognised in income statement	10	**(11.3)**	1.5
		(94.8)	(53.3)
Other comprehensive loss net of tax		**(100.4)**	(54.6)
Total comprehensive income for the financial period/year		**37.0**	143.4
Attributable to non-controlling interests		**(12.7)**	5.7
Attributable to equity holders		**49.7**	137.7
Total comprehensive income for the financial period/year		**37.0**	143.4

Balance sheets

31 December 2014		Group			Company	
	Notes	31 December 2014 £m	31 March 2014 £m Restated	31 March 2013 £m Restated	31 December 2014 £m	31 March 2014 £m
Assets						
Non-current assets						
Property, plant and equipment	13	**115.6**	93.3	80.1	**–**	–
Intangible assets	14	**4,492.0**	2,669.7	2,238.7	**–**	–
Investment in associates	15	**12.1**	0.3	0.6	**–**	–
Investment in subsidiary undertakings	16	**–**	–	–	**4,889.1**	3,858.9
Deferred tax assets	17	**76.5**	42.2	19.2	**–**	–
Derivative financial instruments	20	**22.7**	6.7	4.3	**22.7**	6.7
Available for sale investments	20	**4.8**	4.8	–	**–**	–
Retirement benefit asset	18	**16.0**	14.5	–	**–**	–
Other non-current assets	20	**64.8**	38.0	12.0	**–**	–
		4,804.5	2,869.5	2,354.9	**4,911.8**	3,865.6
Current assets						
Inventories		**6.6**	0.5	1.5	**–**	–
Trade and other receivables	19	**571.1**	250.5	185.7	**654.4**	534.1
Derivative financial instruments	20	**0.4**	–	–	**–**	–
CCP financial assets		**429,952.8**	476,424.4	137,620.2	**–**	–
CCP cash and cash equivalents (restricted)		**21,493.0**	27,351.8	8,476.2	**–**	–
CCP clearing business assets	20	**451,445.8**	503,776.2	146,096.4	**–**	–
Current tax		**24.3**	22.3	24.6	**–**	0.1
Assets held at fair value	20	**12.4**	18.7	6.1	**–**	–
Cash and cash equivalents	22	**1,127.2**	919.2	446.2	**0.2**	–
		453,187.8	504,987.4	146,760.5	**654.6**	534.2
Assets held for sale	23	**5.3**	–	–	**–**	–
Total assets		**457,997.6**	507,856.9	149,115.4	**5,566.4**	4,399.8
Liabilities						
Current liabilities						
Trade and other payables	24	**727.4**	401.5	230.0	**195.0**	204.3
Derivative financial instruments	20	**–**	3.4	0.1	**–**	–
CCP clearing business liabilities	20	**451,467.5**	503,747.4	146,088.1	**–**	–
Current tax		**51.6**	14.8	43.2	**6.4**	–
Borrowings	25	**789.9**	278.7	0.4	**127.0**	26.0
Provisions	27	**0.9**	2.8	1.1	**–**	–
		453,037.3	504,448.6	146,362.9	**328.4**	230.3
Non-current liabilities						
Borrowings	25	**936.5**	945.0	796.4	**796.7**	796.6
Other non-current payables	20, 24	**73.3**	–	3.4	**–**	–
Derivative financial instruments	20	**–**	4.0	3.5	**–**	4.0
Deferred income		**4.9**	–	–	**–**	–
Deferred tax liabilities	17	**859.5**	323.6	267.1	**–**	–
Retirement benefit obligations	18	**39.8**	36.9	25.6	**–**	–
Other non-current liabilities	20	**77.5**	79.2	–	**–**	–
Provisions	27	**13.5**	16.6	26.2	**–**	–
		2,005.0	1,405.3	1,122.2	**796.7**	800.6
Total liabilities		**455,042.3**	505,853.9	147,485.1	**1,125.1**	1,030.9
Net assets		**2,955.3**	2,003.0	1,630.3	**4,441.3**	3,368.9
Equity						
Capital and reserves attributable to the Company's equity holders						
Ordinary share capital	28	**23.9**	18.8	18.8	**23.9**	18.8
Share premium	28	**957.7**	–	–	**957.7**	–
Retained earnings/(losses)		**20.0**	(46.2)	(108.8)	**1,641.2**	1,531.6
Other reserves		**1,524.9**	1,592.4	1,644.4	**1,818.5**	1,818.5
Total shareholders' funds		**2,526.5**	1,565.0	1,554.4	**4,441.3**	3,368.9
Non-controlling interests		**428.8**	438.0	75.9	**–**	–
Total equity		**2,955.3**	2,003.0	1,630.3	**4,441.3**	3,368.9

The financial statements on pages 118 to 163 were approved by the Board on 17 March 2015 and signed on its behalf by:

Xavier Rolet
Chief Executive

David Warren
Chief Financial Officer

London Stock Exchange Group plc. Registered number 5369106

Cash flow statements

Period ended 31 December 2014		Group		Company	
		Period ended 31 December 2014	Year ended 31 March 2014	Period ended 31 December 2014	Year ended 31 March 2014
	Note	£m	£m	£m	£m
Cash flow from operating activities					
Cash generated from/(absorbed by) operations	29	**413.4**	515.4	**30.5**	(13.0)
Interest received		**3.1**	4.6	**17.6**	23.5
Interest paid		**(61.1)**	(71.7)	**(51.9)**	(62.6)
Corporation tax paid		**(65.6)**	(99.8)	**–**	–
Withholding tax paid		**(1.9)**	(23.2)	**–**	–
Net cash inflow/(outflow) from operating activities		**287.9**	325.3	**(3.8)**	(52.1)
Cash flow from investing activities					
Purchase of property, plant and equipment		**(16.1)**	(23.6)	**–**	–
Purchase of intangible assets		**(43.1)**	(67.3)	**–**	–
Investment in other acquisition		**(1.3)**	–	**–**	–
Investment in subsidiaries		**(1,687.3)**	(376.5)	**(1,026.1)**	–
Net cash inflow from acquisitions		**290.8**	432.0	**–**	–
Dividends received		**0.7**	0.3	**156.0**	118.2
Proceeds from sale of investment in associate		**–**	7.1	**–**	–
Net cash (outflow)/inflow from investing activities		**(1,456.3)**	(28.0)	**(870.1)**	118.2
Cash flow from financing activities					
Capital raise		**962.7**	114.4	**962.7**	–
Dividends paid to shareholders		**(56.2)**	(80.8)	**(56.2)**	(80.8)
Dividends paid to non-controlling interests		**(4.9)**	(2.9)	**–**	–
Capital contributions received from non-controlling interests		**1.3**	–	**–**	–
Cost of capital raise		**–**	(2.7)	**–**	–
Loans to subsidiary companies		**–**	–	**(133.4)**	16.6
Purchase of own shares by ESOP Trust		**(0.5)**	(28.0)	**–**	(28.0)
Proceeds from own shares on exercise of employee share options		**–**	2.3	**–**	–
Proceeds from finance lease		**1.8**	–	**–**	–
Repayments of finance lease		**(1.2)**	–	**–**	–
Proceeds from borrowings		**519.9**	283.5	**101.0**	26.0
Repayments of borrowings		**–**	(91.4)	**–**	–
Net cash inflow/(outflow) from financing activities		**1,422.9**	194.4	**874.1**	(66.2)
Increase/(decrease) in cash and cash equivalents		**254.5**	491.7	**0.2**	(0.1)
Cash and cash equivalents at beginning of period/year		**919.2**	446.2	**–**	0.1
Exchange losses on cash and cash equivalents		**(46.5)**	(18.7)	**–**	–
Cash and cash equivalents at end of period/year		**1,127.2**	919.2	**0.2**	–

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation. Interest on CCP balances are received net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow for the Group, and is shown separately in the cash flow statement.

Statements of changes in equity

Group	Attributable to equity holders						
	Ordinary share capital	Share premium	Retained gain/(loss)	Other reserves	Total attributable to equity holders	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
31 March 2013	**18.8**	–	**(126.8)**	**1,638.5**	**1,530.5**	**68.5**	**1,599.0**
Adjustment on prior year (Note 2)	–	–	18.0	5.9	23.9	7.4	31.3
31 March 2013 (restated)	**18.8**	–	**(108.8)**	**1,644.4**	**1,554.4**	**75.9**	**1,630.3**
Profit for the year	–	–	184.9	–	184.9	13.1	198.0
Other comprehensive income for the year	–	–	4.8	(52.0)	(47.2)	(7.4)	(54.6)
Final dividend relating to the year ended 31 March 2013	–	–	(53.5)	–	(53.5)	–	(53.5)
Interim dividend relating to the year ended 31 March 2014	–	–	(27.3)	–	(27.3)	–	(27.3)
Dividend payments to non-controlling interests	–	–	–	–	–	(5.4)	(5.4)
Employee share scheme expenses	–	–	(13.0)	–	(13.0)	–	(13.0)
Purchase of non-controlling interest	–	–	(33.3)	–	(33.3)	361.8	328.5
31 March 2014 (restated)	**18.8**	–	**(46.2)**	**1,592.4**	**1,565.0**	**438.0**	**2,003.0**
Profit for the period	**–**	**–**	**123.0**	**–**	**123.0**	**14.4**	**137.4**
Other comprehensive income for the period	**–**	**–**	**(5.8)**	**(67.5)**	**(73.3)**	**(27.1)**	**(100.4)**
Issue of shares	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Rights Issue	**5.0**	**957.7**	**–**	**–**	**962.7**	**–**	**962.7**
Final dividend relating to the year ended 31 March 2014	**–**	**–**	**(56.2)**	**–**	**(56.2)**	**–**	**(56.2)**
Dividend payments to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(4.9)**	**(4.9)**
Employee share scheme expenses	**–**	**–**	**5.2**	**–**	**5.2**	**–**	**5.2**
Purchase of non-controlling interest within acquired subsidiary	**–**	**–**	**–**	**–**	**–**	**8.4**	**8.4**
31 December 2014	**23.9**	**957.7**	**20.0**	**1,524.9**	**2,526.5**	**428.8**	**2,955.3**

Shares held in the Employee Benefit Trust to settle exercises on employee share awards were 595,179 (31 March 2014: 642,936).

Other reserves comprise the following:

Merger reserve of £1,304.3 million (31 March 2014: £1,304.3 million), a distributable reserve arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary undertakings.

Capital redemption reserve of £514.2 million (31 March 2014: £514.2 million), a non-distributable reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512.5) million (31 March 2014: £(512.5) million), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £232.5 million (31 March 2014: £318.5 million), a non-distributable reserve reflecting the impact of foreign currency changes on the translation of foreign operations.

Hedging reserve of £(13.6) million (31 March 2014: £(37.5) million), a non-distributable reserve representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

Company	Attributable to equity holders					
				Other reserves		
	Ordinary share capital	Share premium	Retained earnings	Capital redemption reserve	Merger reserve	Total attributable to equity holders
	£m	£m	£m	£m	£m	£m
31 March 2013	**18.8**	**–**	**1,564.5**	**514.2**	**1,304.3**	**3,401.8**
Profit for the year	–	–	63.2	–	–	63.2
Final dividend relating to the year ended 31 March 2013	–	–	(53.5)	–	–	(53.5)
Interim dividend relating to the year ended 31 March 2014	–	–	(27.3)	–	–	(27.3)
Employee share scheme expenses	–	–	(15.3)	–	–	(15.3)
31 March 2014	**18.8**	**–**	**1,531.6**	**514.2**	**1,304.3**	**3,368.9**
Profit for the period	**–**	**–**	**159.7**	**–**	**–**	**159.7**
Issue of shares	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Rights Issue	**5.0**	**957.7**	**–**	**–**	**–**	**962.7**
Final dividend relating to the year ended 31 March 2014	**–**	**–**	**(56.2)**	**–**	**–**	**(56.2)**
Employee share scheme expenses	**–**	**–**	**6.1**	**–**	**–**	**6.1**
31 December 2014	**23.9**	**957.7**	**1,641.2**	**514.2**	**1,304.3**	**4,441.3**

Notes to the financial statements

1. Basis of preparation and accounting policies

The Company's and Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before amortisation of purchased intangible assets and non-recurring items. This is the profit measure used to calculate adjusted earnings per share and is considered to be the most appropriate as it best reflects the Group's underlying, recurring cash earnings and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition amortisation and non-recurring items is reconciled to profit before taxation on the face of the income statement.

The Group has changed its financial year end to 31 December. As a consequence, the financial statements shows results for nine month period to 31 December 2014, with the comparatives remaining for the year to 31 March 2014.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's income for the period is disclosed within the statement of changes in equity.

Investments in associates are accounted for under the equity method. The Group's investments in associates are initially recognised at cost, and its share of profits or losses after tax from associates is included in the consolidated income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the Group's balance sheet. The financial statements of associates are used by the Group to apply the equity method, under which the Group's income statement reflects the Group's share of the results of operations of the associates. A company is considered an associate where the Group has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The acquisition of subsidiaries is accounted for using the purchase 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. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity. Where the non-controlling interest has an option to dispose of their holding to the Group, then these costs are recognised at the fair value of the option at the balance sheet date.

Investments in subsidiaries shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

Recent accounting developments

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC and have been adopted in these financial statements:

- IFRS 10, 'Consolidated financial statements' and amendments regarding control;
- IFRS 11, 'Joint arrangements';
- IFRS 12, 'Disclosure of interests in other entities' and amendments;
- Amendments to IAS 19, 'Employee Benefits' on Defined Benefit Plans: Employee Contributions;
- IAS 27 (Revised 2011), 'Separate financial statements' and amendments;
- IAS 28 (Revised 2011), 'Associates and joint ventures';
- Amendments to IAS 32, 'Financial instruments: Presentation' on Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36, 'Impairment of assets' on recoverable amount disclosures;
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting;
- Annual Improvements 2010-2012 and Annual Improvements 2011-2013; and
- IFRIC 21, 'Levies'.

The adoption of these standards did not have a material impact on these consolidated financial statements.

The following standards and interpretations were issued by the IASB and IFRIC since the last Annual Report, but have not been adopted either because they were not endorsed by the European Union (EU) at 31 December 2014 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review:

International accounting standards and interpretations	Effective date
Amendments to IFRS 11, 'Joint arrangements' on accounting for acquisitions of interest in a joint operations	1 January 2016
Amendment to IAS 16,'Property,plant and equipment' and IAS 38,'Intangible assets', on Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 27, 'Separate financial statements' on equity method in separate financial statements	1 January 2016
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Associates and joint ventures' on sale and contribution of assets between an investor and its associate or joint venture	1 January 2016
Annual Improvements 2012-2014	1 January 2016
Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 28, 'Associates and joint ventures' on applying the consolidated exception for investment entities	1 January 2016
Proposed amendments to IAS 1,'Presentation of financial statements' disclosure initiative	1 January 2016
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 15, 'Revenue from contracts with customers'	1 January 2017
IFRS 9, 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting	1 January 2018

Accounting policies

Income Statement

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is recognised in the period when the service or supply is provided. The sources of revenue are:

a) Maintenance contracts, membership and other fees – revenue is recognised on a straight-line basis over the period to which the fee relates;

b) Admission fees – revenue is recognised at the time of admission to trading;

c) Clearing fee income and rebates, together with other fee income and net settlement fees, are recognised on a transaction by transaction basis in accordance with the Group's fee scales;

d) Royalties – revenue is recognised at the date at which they are earned or measurable with certainty;

e) IT products – where there is no significant service obligation the revenue is recognised upon delivery and acceptance of the software or hardware by the customer, in other circumstances revenue is recognised on provision of contracted services;

f) IT solutions – where software is sold requiring significant modification, integration or customisation, the consideration is allocated between the different elements on a fair value basis. Revenue is recognised using a percentage of completion method. The stage of completion is determined by reference to the costs incurred to date as a proportion of the total estimated costs or the services performed to date as a percentage of total services to be performed. Provision is made for all foreseeable future losses in the period in which they are identified;

g) Software and Licence fees – revenue is recognised when the performance under the contract has occurred and the revenue has been earned; and

h) Other – all other revenue is recognised in the month in which the service is provided. Borsa Italiana group defers some of the income received from cash trading and FTSE MIB futures trading and clearing. This deferral results in revenues being recognised at the average price of transactions forecast for the full year, as pricing levels reduce during the year when incremental volume targets are achieved.

The main source of revenue is through fees.

Non-recurring items

Items of income and expense that are material by size and/or nature and are non-recurring are classified as non-recurring items on the face of the income statement within their relevant category. The separate reporting of these items together with amortisation of purchased intangible assets helps give an indication of the Group's underlying performance.

Pension costs

The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred.

Share based compensation

The Group operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

Foreign currencies

The consolidated financial statements are presented in sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Exceptions to this are where the non-monetary items form part of the net investment in a foreign operation or are designated as hedges of a net investment, or as cash flow hedges. Such exchange differences are initially recognised in equity.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate;

b) income and expenses are translated and recorded in the income statement at the average monthly rates prevailing; and

c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Finance income and expense

Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period.

Recurring fees and charges levied on committed bank facilities and the payments and cash management transactions and services provided by the Group's banks are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to protected utilisation. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments held as fair value hedges.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Freehold buildings, fixed plant and plant and equipment are stated at cost and are depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets which are as follows:

a) Freehold buildings – 30 to 50 years;
b) Fixed plant – three to 20 years; and
c) Plant and equipment – three to 15 years.

Leasehold properties and improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

The Group leases certain plant and equipment where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the liability so as to achieve a constant rate on the finance balance outstanding. Plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Intangible assets

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives which are as follows:

a) Customer and supplier relationships – two to 25 years (material assets are amortised over a life exceeding 15 years);
b) Brands – 10 to 25 years (material assets are amortised over a life of 25 years); and
c) Software licenses and intellectual property – two to 25 years (the majority of material assets are amortised over a life not exceeding five years).

The useful economic lives are based on management's best estimate such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands and pace of change of regulation for business.

Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of three to five years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third party expenses, and amortised over their useful economic lives of three to five years.

Intangible assets are assessed for any indicators of impairment at each balance sheet date. Where indicators of impairment for a particularly intangible asset are identified, a full impairment assessment is performed, with any diminution in value recognised in the income statement. When performing any impairment assessment, in addition to considering matters particular to the relevant Group business area, management evaluates the overall value of the asset from the perspective of a market participant. Accordingly, any reduction in value recorded, represents the Group's view of the market fair value of the intangible asset.

Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantially enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

Classification of financial assets

Financial assets (excluding clearing business)

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for liquidity purposes, they are initially recognised at fair value and any subsequent changes in fair value are recognised directly in the income statement. These assets are financial instruments not designated as hedges.

b) Available-for-sale financial assets
Investments (other than term deposits and interests in joint ventures, associates and subsidiaries) are designated as available-for-sale and are recorded on trade date at fair value plus transaction costs with changes in fair value recognised in equity. Where the fair value is not reliably measurable, the investment is held at cost less any provision for impairment. Assets such as shares in clearing and payment transmission operations and long term equity investments that do not qualify as associates or joint ventures are usually classified as available-for-sale.

c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Financial assets and liabilities of the central counterparty (CCP) business

Assets and liabilities of the CCP clearing service relate to subsidiaries that perform the CCP clearing business. The activities include clearing of financial derivatives, equities and bond transactions on regulated markets. The Group enters into a contractual arrangement in respect of each side of the transaction, bears the risk associated with counterparties failing to honour their obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete the delivery. Accordingly, the Group must record an asset and a liability on its balance sheet in respect of each of the sale and purchase sides of each transaction. However, except in respect of failed transactions the Group as a CCP clearer does not bear any price risk and the value of the sale and purchase side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other. The Group has adopted the settlement date as the reference date for recognising financial assets.

Income recognised through the CCP clearing business includes net treasury income earned on margin and default funds, held as part of our risk management process, and is shown separately from the Group revenues. This amount has been shown separately on the face of the income statement to distinguish this income stream from revenues arising from the Group's other activities and provides the reader with a greater understanding of the operating activities of the Group.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Accounting treatments of CCP financial assets and liabilities include the following:

a) Derivatives, trading assets and liabilities
These transactions are initially recorded at fair value, and are subsequently re-measured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no net fair value gains or losses are recognised in the income statement.

b) Receivables for and liabilities under repurchase transactions
These represent repurchase transactions (repos) by clearing members using the Group's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term. These transactions are initially recognised at fair value and are subsequently measured at amortised cost, by allocating the yield on the repo pro-rated over the duration of the contract (the coupon accrued in the period and the difference between the spot and forward prices). Since the asset and liability positions for repos are matched, the same amount is recorded for both assets and liabilities and no gain or loss is recorded in the income statement.

c) Other receivables from and payables to clearing members and default funds
These comprise accounts receivable and payable deriving from the activities of clearing members in derivatives, equities and bond transactions. They mainly represent amounts to be received or paid in relation to initial and variation margins, option premiums, securities as collateral and default fund contributions and are initially recorded at fair value. They are generally settled on the next day and, accordingly, are not discounted back to current value. Default funds absorb any losses incurred by the Group in the event of clearing members default where margin collateral is insufficient to cover the management and close out of the positions of the defaulting members.

d) Financial assets and liabilities at fair value
These represent quoted equity and bond securities which have already withdrawn from the settlement system but have not yet delivered to the intermediaries who have bought them and securities traded but not yet settled as part of the CCP function. These are initially recognised at fair value and subsequently re-measured at fair value, based on the market price of each security. The difference between the settlement price of each security at trade date and the market price of that security at the period end is recognised as a fair value gain or loss in the income statement.

e) Held to maturity
These are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. After initial measurement held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate less impairment. The amortisation of any premium or discount is included in interest income.

f) Cash and cash equivalents (restricted)
These include amounts received from clearing members to cover initial and variation margins and default fund contributions as collateral against default or insolvency and are deposited with banks. Such amounts are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. The Group applies fair value hedge accounting for hedging interest rate risk on borrowings. Any gain or loss is recognised in the income statement within finance expenses.

The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

The Group hedges a proportion of its net investment in its Italian Companies by designating euro borrowings as a net investment hedge.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Put option written on non-controlling interests
Commitments to purchase minority interests and put options granted to minority shareholders are recognised at fair value as a financial liability. When the financial liability is recognised initially, the redemption amount is reclassified from equity. The changes in the measurement of the financial liability are recognised in profit and loss. Changes in the measurement of that financial liability do not change the relative interests in the subsidiary that are held by the parent and the non-controlling-interest shareholder and therefore are not equity transactions.

Trade receivables
Trade receivables are non-interest bearing and are stated at their fair value, which is usually the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or will be subject to a financial reorganisation or default on, or be delinquent on, its payment obligations are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank, term deposits and investments in money market funds and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Assets held for sale
Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Borrowings
Bank borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is charged to the income statement over the period of the borrowings using the effective interest rate method. Similarly direct issue costs and transaction costs (including upfront facility fees) are charged to the income statement over the period of the borrowings using the effective interest rate method.

Notes to the financial statements continued

Preference shares
Preference shares or components of preference shares are classified on initial recognition as financial liability or equity based on the terms of the contract. They are classified as a financial liability if the terms imposes a contractual obligation to deliver cash.

Provisions
A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is made in the financial statements for the lower of the cost of fulfilling lease commitments for property space surplus to business requirements after taking into account income from sub-letting, and any compensation or penalties arising from failure to fulfil the lease commitments. Such provisions are discounted where the time value of money is considered material.

Share capital
The Company's own shares held by the Employee Benefit Trust are deducted from equity until they vest unconditionally for employees and are held at cost. Consideration paid in respect of these treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.

2. Prior period adjustment

On business combinations the Group recognises a deferred tax liability against the intangible assets acquired. The deferred tax liability is recognised in respect of the amortisation of the acquired intangibles which have no or partial tax base for the Group. The deferred tax is recognised and released to the income statement over the same period as the amortisation of the acquired intangible assets. The recognition of the deferred tax is an accounting treatment to ensure that the effective tax rate is maintained for the Group and is not impacted by amortisation costs which are not tax deductible. There were no cash or working capital impacts of these movements or to the balance sheet of the parent company.

It was identified that the deferred tax recognised was insufficient. As a consequence, the release of the liability to the income statement, which results in a reduction in the Group's income statement tax charge, was understated.

The correction of these entries result in an increase in deferred tax liability, goodwill and a resulting credit to the income statement as the deferred tax liability is unwound over the useful economic lives of the associated purchased intangibles. In addition in circumstances where the underlying assets have been recognised in a currency other than sterling there is an adjustment in relation to the retranslation of these balances.

The effect of these adjustments on the prior year is shown by restating each of the affected financial statement line items as follows:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Effect on equity		
Increase in goodwill	4.3	189.4
Decrease/(increase) in deferred tax liabilities	10.5	(158.1)
Net impact on equity	**14.8**	**31.3**

The amounts disclosed above for the year ended 31 March 2014, exclude the cumulative effect disclosed for the year ended 31 March 2013. The cumulative impact for the year ended 31 March 2014 on goodwill is £193.7 million, deferred tax creditor is £147.6 million and net equity is £179.3 million.

	Year ended 31 March 2014 £m
Effect on the income statement	
Profit for the financial period (as originally stated)	182.7
Taxation charge reduction	15.3
Profit for the financial period (restated)	**198.0**
Effect on the other comprehensive income	
Other comprehensive loss for the period (as originally stated)	(54.1)
Exchange loss on translation of foreign operations	(0.5)
Other comprehensive loss for the period (restated)	**(54.6)**
Attributable to:	
Equity holders	(0.5)
Non-controlling interests	–

	Year ended 31 March 2014
Effect on earnings per share	
Basic earnings per share (as originally stated)	63.0p
Prior period adjustment	5.5p
Adjustment due to rights issue	(5.5p)
Basic earnings per share (restated)	**63.0p**
Diluted earnings per share (as originally stated)	61.4p
Prior period adjustment	5.3p
Adjustment due to rights issue	(4.8p)
Diluted earnings per share (restated)	**61.9p**

There was no effect on adjusted basic earnings per share or adjusted diluted earnings per share as the deferred tax adjustment is treated as an adjusting item to the operating profit.

3. Financial risk management

The Group seeks to protect its financial performance and the value of its business from exposure to capital, credit, concentration, country, liquidity and market (including foreign exchange, fair value and cash flow interest rate and other price) risks.

Financial risk management is not speculative. It is performed both at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and also locally, where operating units manage their regulatory and operational risks. This includes clearing operations at the Group's CCPs (at LCH.Clearnet Group and CC&G) and investment management activities at the Frank Russell Company, that adhere to local regulation and operate under locally approved risk and investment policies.

The Financial Risk Committee, a sub-committee of the Group Executive Committee and chaired by the Chief Financial Officer, meets monthly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-committee of the Financial Risk Committee (which is also chaired by the Chief Financial Officer), meets regularly to monitor the management of and controls around foreign exchange, interest rates, credit and concentration risks and the investment of excess liquidity in addition to its oversight of the Group's funding arrangements. Both committees provide the Group's senior management with assurance that the treasury and risk operations are performed in accordance with Group Board approved policies and procedures. Regular updates, on a range of key criteria as well as new developments, are provided through the Enterprise Risk Management Framework to the Group Risk Committee. See 'Risk Management Oversight', pages 50-53, for further detail on the Group's risk framework.

Capital risk

Risk description	Risk management approach
The Group is profitable and strongly cash generative and its capital base comprises equity and debt capital. However, the Group recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return. The Group comprises regulated and unregulated entities. It considers that: — increases in the capital requirements of its regulated companies, or — negative yields on its investments of cash, or — a scarcity of debt or equity (driven by its own performance or financial market conditions) either separately or in combination are the principal risks to managing its capital.	The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining the flexibility to invest for growth is a key capital management consideration. As at 31 December 2014, the book value of the Group's consolidated equity before non-controlling interests was £2,526.5 million (31 March 2014: £1,565 million) and the book value of its consolidated debt was £1,726.4 million (31 March 2014: £1,223.7 million). The Group can manage its capital structure and react to changes in economic conditions by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. Whilst the Company is unregulated, the regulated entities within the Group continuously monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the Financial Risk Committee includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that compliance with local regulations is maintained and that there is a robust evaluation, undertaken by the Group's Investment Committee, of the impact of new investments, across the Group, on its capital position. Regulated entities within the Group have to date predominantly issued equity and hold cash to satisfy their local regulatory capital requirements and, as at 31 December 2014, £1,011.3 million of cash and cash equivalents was held to meet regulatory and operational requirements across these entities (31 March 2014: £803.6 million). This amount increased during the period as a result of the inclusion of Frank Russell Company's cash and cash equivalents held predominantly to meet the regulatory requirements of its investment management business, in addition to LCH.Clearnet Group's total cash and cash equivalents, and maintaining the £200 million generally set aside by other Group operations. We believe that Group companies' cash and cash equivalents are sufficient to comfortably support current regulatory frameworks. The level of cash set aside by the Group for these purposes remains subject to on-going review with regulators, particularly in Europe and the USA. To maintain the financial strength to access new capital at reasonable cost and sustain an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt excluding cash and cash equivalents set aside for regulatory and operational purposes) to adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items) against a target range of 1-2 times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies in considering increases to its borrowings. To underpin its financial flexibility and protect its investment grade credit rating, the Group raised over £960 million (before associated costs) from shareholders during the 9 month period to 31 December 2014 through a Rights Issue. This provided a balance to the new debt also raised in the period to appropriately fund the acquisition of Frank Russell Company, pushing net leverage up towards 2.4 times in early December 2014. As at 31 December 2014 net leverage had reduced back to 2.1 times (March 2014: 1.9 times), a little above the top end of the Group's target range. The Group is comfortably in compliance with its bank facility ratio covenants (net leverage and debt service) and these measures do not inhibit the Group's operations or its financing plans.

Credit and concentration risk

Risk description	Risk management approach
In their roles as central counterparty (CCP) clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see 'Principal Risk and Uncertainties', pages 54-61. Notwithstanding regulations in Europe and the US that require CCPs to invest predominantly in secured instruments or structures (such as government bonds and reverse repos), CC&G and the LCH.Clearnet Group CCPs continue to be able to invest up to 5 per cent of their margin and default fund cash unsecured. Through this potential unsecured investment by its CCPs (as well as by certain other regulated and unregulated operations observing agreed investment policy limits), the Group will continue to face the risk of direct loss from a deterioration or failure of one or more of its unsecured investment counterparties. Concentration risk may arise through Group entities having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs. More broadly, the Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including: — customer receivables — repayment of invested cash and cash equivalents — settlement of derivative financial instruments	**CCPs** To address the market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP would incur in order to close out open positions in the event of the member's default. Margins are calculated using established and internationally acknowledged risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required and non-cash collateral is re-valued daily. As at 31 December 2014, the total aggregate margin liability of clearing members amounted to £70.6 billion (31 March 2014: £68.3 billion), against which the Group had received £38.8 billion in cash (31 March 2014: £35.8 billion) and £31.8 billion in non-cash securities (31 March 2014: £34.4 billion). The maximum aggregate margin liability during the 9 month period to 31 December 2014 was £80.1 billion (year to 31 March 2014: £77.2 billion). Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. As at 31 December 2014, the total aggregate of clearing member contributions to the default funds amounted to £10.3 billion in aggregate across the Group's CCPs (31 March 2014: £9.0 billion). The maximum aggregate amount during the 9 month period to 31 December 2014 was £10.6 billion (year to 31 March 2014: £9.1 billion). Furthermore, each of the Group's CCPs has recently reinforced its capital position to meet the more stringent regulatory requirements applicable to it, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure. Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed 'secure' by the relevant regulatory bodies including through direct investments in highly rated, 'regulatory qualifying' sovereign bonds and supra-national debt, investments in tri-party and bi-lateral reverse repos (receiving high quality government securities as collateral which are subject to a 'haircut' on their market value) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor. The investment portfolio at 31 December 2014 totalled £43.5 billion in aggregate (31 March 2014: £47.4 billion), of which a weighted average 99.1 per cent (31 March 2014: 99.7 per cent) was invested securely with an overall maturity of 85 days (31 March 2014: 87 days), including material amounts invested over a very short timeframe to support liquidity needs. The maximum portfolio size during the 9 month period to 31 December 2014 was £51.6 billion (year to 31 March 2014: £54.1 billion). Associated liquidity risks are considered in the investment mix and discussed further below. To address concentration risk, the Group maintains a diversified portfolio of high quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 December 2014 was 11.4 per cent of the total investment portfolio to the US Government (31 March 2014: 10.4 per cent to the French Government). **Group** Credit risk is controlled through policies developed at a Group level. Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. Furthermore, the Group is exposed to a large number of customers and so concentration risk on its receivables is deemed by management as low. Credit risk of cash and cash equivalents is managed by limiting the exposure to credit rating reference points potentially overlaid by a default probability assessment. Up to £50 million can be invested for up to 12 months with counterparties rated long term AAA (or equivalent) through to a maximum £25 million overnight with counterparties rated short term A-2 (or equivalent). Derivative transactions and other treasury receivable structures are undertaken or agreed with well capitalised counterparties and are authorised by policy, to limit the credit risk underlying these transactions. The Frank Russell Company does not guarantee the performance of its investment management business.

Country risk

Risk description	Risk management approach
Distress can result from the risk that certain governments may be unable or find it difficult to service their debts. This could have adverse effects, particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.	Specific risk frameworks manage country risk for both fixed income clearing and margin collateral and all clearing members are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an on-going watch over these risks and the associated policy frameworks to protect the Group against potentially severe volatility in the sovereign debt markets. As at 31 December 2014, the Group has material investments of £1 billion or more in aggregate in the following sovereigns:

Group Aggregate Sovereign Treasury Exposures Country	31 December 2014 £ billion	31 March 2014 £ billion
USA	5.8	3.9
France	5.0	4.9
Italy	3.7	4.5
Germany	2.2	1.5
Spain	1.6	nil
Belgium	1.5	2.2

Liquidity, settlement and custodial risk

Risk description	Risk management approach
The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations. In addition, the Group's CCPs, the Frank Russell Company investment management businesses and certain other subsidiary companies are required to maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member. The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations. The Group uses third party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration.	Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, support acquisitions or repay borrowings. With the exception of regulatory constraints impacting the Group's CCPs, the Frank Russell Company investment management businesses and certain other regulated entities, funds can generally be lent across the Group or remitted through dividend payments and this is an important component of the Group Treasury cash management policy and approach. Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly. During the 9 month period to 31 December 2014, new, committed, revolving credit facilities totalling £600 million were arranged by the Company to underpin the Group's financial flexibility. The new facilities bolster facility headroom over the medium term moving the Group's average drawn debt maturity profile to three and a half years; the next scheduled debt maturity is in July 2016. At 31 December 2014, and having completed the $2.7 billion acquisition of Frank Russell Company, £510.9 million of the Group's facilities were unutilised. The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to arrange appropriate levels of back up liquidity to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see Credit and concentration risk section above). The Group's CCPs monitor their liquidity needs daily under stressed and unstressed assumptions. In addition, certain Group companies, including the CCPs, maintain operational support facilities from banks to manage intraday and overnight liquidity. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows. Where possible, the Group employs guaranteed delivery versus payment settlement techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer. Custodians are subject to minimum eligibility requirements and ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place.

At 31 December 2014	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	832.3	107.9	728.6	314.3
Trade and other payables	727.4	–	–	–
CCP liabilities	451,467.5	–	–	–
	453,027.2	**107.9**	**728.6**	**314.3**

At 31 March 2014	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	312.6	109.0	487.5	564.3
Trade and other payables	401.5	–	–	–
CCP liabilities	503,747.4	–	–	–
Derivative financial instruments	3.4	–	–	4.0
	504,464.9	**109.0**	**487.5**	**568.3**

The prior year borrowings have been adjusted to include interest payable on the debt that is not accrued.

Market risk – Foreign Exchange

Risk description	Risk management approach
The Group extended its geographic footprint during the 9 month period to 31 December 2014 and now operates primarily in the UK, North America and Europe, has growing and strategically important businesses in Asia, and other alliances and investments across the globe. Its principal currencies of operation are sterling, US dollars and the euro. With the exception of MillenniumIT (a Sri Lankan Rupee reporting entity), which invoices a material proportion of its revenues in US dollars, and LCH.Clearnet Limited (a euro reporting entity), which incurs a majority of its costs in sterling, Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, sterling, and from occasional, high value intragroup transactions. Intragroup dividends may create short term transactional FX exposures but play their part in controlling the level of translational FX exposures the Group faces. The Group may be exposed from time to time to strategic investments in currencies other than sterling.	The Group seeks, where it can, to match the currency of its debt liabilities to the currency of its earnings whilst endeavouring to balance the currency of its assets with the currency of its liabilities. The Group reinforces this methodology by regularly distributing its currency cash earnings in dividends and by absorbing currency earnings (whilst protecting sterling earnings) through interest payments on sterling debt, re-denominated through the use of cross-currency swaps, or by arranging debt in the same currency, where this is practicable. A proportion of the Group's debt is held in or swapped into euro and a proportion is held in US dollars. As at 31 December 2014, £140.2 million of drawn debt was euro denominated (31 March 2014: £400.5 million) and £389.5 million (31 March 2014: £248.5 million) of cross-currency swaps, directly linked to sterling debt, were designated as a hedge of the net investment in the Italian Group. As at 31 December 2014, £662.1 million of drawn debt was US dollar denominated (31 March 2014: nil) and provided a hedge of the net investment in the Frank Russell Company. A profit of £13.0 million for the 9 month period to 31 December 2014 (year to 31 March 2014: profit of £4.3 million) on foreign currency borrowings, inter company loan assets and liabilities and cross-currency swap hedges was recognised in equity. The net investment hedges were fully effective. Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires that cash flows of more than £1 million or equivalent per annum should be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Hedge accounting of derivatives is considered to mitigate material levels of income statement volatility. In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 December 2014, the Group has considered movements in the euro and the US dollar over the 9 month period to 31 December 2014 and has concluded that a 10 per cent movement in rates is a reasonable level to measure the risk to the Group. At 31 December 2014, if sterling had weakened or strengthened by 10 per cent against the euro and/or the US dollar with all other variables held constant, the impact on post tax profit for the 9 month period to 31 December 2014 and on equity at the 31 December 2014 is set out, with comparatives, in the table below:

		31 December 2014		31 March 2014	
		Post tax profit £m	Equity £m	Post tax profit £m	Equity £m
Euro	Sterling weaken	4.3	14.2	0.3	(19.0)
	Sterling strengthen	(3.9)	(12.4)	(0.4)	23.2
US dollar	Sterling weaken	2.8	(58.7)	–	–
	Sterling strengthen	(2.6)	53.3	–	–

This reflects foreign exchange gains or losses on translation of euro and US dollar denominated trade receivables, trade payables, financial assets at fair value through profit or loss including euro and US dollar denominated cash and borrowings. If the average sterling exchange rate for the 9 month period to 31 December 2014 had moved 10 euro cents against the euro, this would have changed the Group's operating profit for the year before amortisation of purchased intangibles and non-recurring items by up to £19.1 million.

Market risk – Cash Flow and Fair Value Interest Rate Risk

Risk description	Risk management approach
The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates. The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their investment activities.	Group interest rate management policy focuses on protecting the Group's credit rating. It specifies a minimum coverage of interest expense by EBITDA to be maintained of 7 times and a maximum floating rate component of 50 per cent of total debt. This approach reflects (i) a focus on the Group's cost of debt rather than its net debt given the material cash and cash equivalents held specifically for regulatory purposes, (ii) the short duration allowed for investments of cash and cash equivalents held for regulatory purposes which, by their nature, generate low investment yields, (iii) a view that already low market yields are unlikely to move materially lower and (iv) the broad natural hedge of floating rate borrowings provided by the significant balances of cash and cash equivalents held effectively at floating rates of interest. As at 31 December 2014, interest expense cover was measured over the 12 month period to 31 December 2014 at 9.4 times (31 March 2014: 8.0 times) and the floating rate component of total debt was 46 per cent. In the Group's CCPs, interest bearing assets are generally invested for a longer term than interest bearing liabilities, whose interest rate is reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily. In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2014, at the Group level, if interest rates on sterling-denominated, euro-denominated and US dollar-denominated cash and borrowings had been 1 percentage point higher with all other variables held constant, post-tax profit for the year would actually have been £1.5 million higher (31 March 2014: £6.5 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents partially offset by higher interest expense on floating rate borrowings. At 31 December 2014, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for euro, US dollar and sterling liabilities respectively, had been 1 percentage point higher, with all other variables held constant, the daily impact on post-tax profit for the Group would have been £1.0 million lower (31 March 2014: £0.8 million lower). This deficit would be recovered as investment yields increase as the portfolio matures and is re-invested.

Market risk – Other Price Risk

Risk description	Risk management approach
The Frank Russell Company investment management business has material funds under management.	The Group announced on 5 February 2015 that it intends to sell the investment management business of Frank Russell Company in its entirety with a sale process commencing directly.
Other price risk arises if, as a result of changes in market prices, the fair value or cash flows associated with Frank Russell Company's managed financial instruments fluctuates (and potentially decline in value).	At 31 December 2014, 67 per cent of the Frank Russell Company investment management business's assets under management was invested in equities and alternatives. If the value of these assets had decreased by 10 per cent, Frank Russell Company's total Net Investment Management Revenue for its year to 31 December 2014 would have seen a corresponding fall of approximately £29 million.

4. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant judgements and estimates for the period ended 31 December 2014 are as follows:

Goodwill – tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by investors to determine an appropriate discount rate. Sensitivity analysis is provided in note 14;

Intangible assets acquired as part of a business combination – valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised;

Defined benefit pension asset or liability – determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. Sensitivity analysis is provided in note 18; and

Fair value measurement of financial instruments Level 3 – The inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments. The Group holds investments in preferred securities and investment funds for which there is no active market. These interests, in the absence of a recent and relevant secondary market transaction, are classified as Level 3 because the valuations require significant levels of management judgement.

5. Segmental Information

The Group is organised into operating units based on its service lines and has seven reportable segments. The executive committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segmental disclosures for the period ended 31 December 2014 are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH. Clearnet	Information Services	Technology Services	Investment Management	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	**249.1**	**71.5**	**238.7**	**281.0**	**47.3**	**79.7**	**4.1**	**–**	**971.4**
Inter-segmental revenue	**–**	**0.9**	**–**	**–**	**7.1**	**–**	**–**	**(8.0)**	**–**
Revenue	**249.1**	**72.4**	**238.7**	**281.0**	**54.4**	**79.7**	**4.1**	**(8.0)**	**971.4**
Net treasury income through CCP business	**–**	**23.2**	**45.9**	**–**	**–**	**–**	**–**	**–**	**69.1**
Other income	**–**	**–**	**0.1**	**–**	**–**	**–**	**3.4**	**–**	**3.5**
Total income	**249.1**	**95.6**	**284.7**	**281.0**	**54.4**	**79.7**	**7.5**	**(8.0)**	**1,044.0**
Share of profit after tax of joint ventures/associates	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Operating profit before amortisation of purchased intangible assets and non-recurring items	**125.2**	**47.1**	**81.4**	**145.1**	**4.6**	**9.7**	**4.3**	**0.2**	**417.6**
Amortisation of purchased intangible assets									**(92.6)**
Impairment of purchased intangibles and goodwill									**(22.0)**
Non-recurring items									**(60.9)**
Operating profit									**242.1**
Net finance expense									**(51.1)**
Profit before taxation									**191.0**
Other income statement items									
Depreciation and software amortisation	**(9.5)**	**(4.1)**	**(19.9)**	**(8.8)**	**(2.0)**	**(0.6)**	**(0.2)**	**1.4**	**(43.7)**

Revenue from external customers principally comprises fees for services rendered £920.0 million (year ended 31 March 2014: £1,019.6 million) and Technology Services £47.3 million (year ended 31 March 2014: £64.0 million).

Notes to the financial statements continued

The acquisition of Frank Russell Company resulted in two identifiable cash generating units within the business. Those being Information Services, which was combined into the existing operating segment within the Group, and Investment Management which was recognised in its own segment.

Bonds.com which was acquired during the period was combined within the Capital Markets segment.

Post Trade Services – CC&G and Monte Titoli, saw an expected decline in net treasury income due to a complete period of being required to hold a minimum 95 per cent secured investment portfolio, partially offset by a modest increase in revenue resulting in total income decreasing to £95.6 million (year ended 31 March 2014: £146.9 million).

Net treasury income through CCP business of £69.1 million (year ended 31 March 2014: £109.8 million) comprises gross interest income of £127.0 million (year ended 31 March 2014: £261.1 million) less gross interest expense of £57.9 million (year ended 31 March 2014: £151.3 million). Interest from investment in securities amount to £21.4 million (year ended 31 March 2014: £34.8 million).

Comparative segmental disclosures for the year ended 31 March 2014 are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH. Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	309.5	98.4	263.0	348.7	64.0	4.7	–	1,088.3
Inter-segmental revenue	–	0.9	–	–	10.9	–	(11.8)	–
Revenue	309.5	99.3	263.0	348.7	74.9	4.7	(11.8)	1,088.3
Net treasury income through CCP business	–	47.6	62.2	–	–	–	–	109.8
Other income	–	–	(3.5)	–	–	15.0	–	11.5
Total income	309.5	146.9	321.7	348.7	74.9	19.7	(11.8)	1,209.6
Operating profit before amortisation of purchased intangible assets and non-recurring items	144.7	83.5	81.1	169.7	11.8	8.7	11.7	511.2
Amortisation of purchased intangible assets								(116.5)
Non-recurring income								(41.6)
Operating profit								353.1
Net finance expense								(68.8)
Profit before taxation								284.3
Other income statement items:								
Depreciation and software amortisation	(25.3)	(5.5)	(23.0)	(15.6)	(5.3)	(0.2)	12.6	(62.3)

Geographical disclosure

	Period ended 31 December 2014	Year ended 31 March 2014
	£m	£m
Revenue		
UK	**564.9**	659.5
Italy	**214.8**	283.5
France	**76.5**	87.0
USA	**49.8**	–
Other	**65.4**	58.3
Total	**971.4**	1,088.3

Revenue has been restated to be allocated based on the location of the group entity which earns the revenue which better represents our operating reviews.

	31 December 2014	31 March 2014
	£m	£m
Total assets		
UK	**143,498.8**	183,570.2
Italy	**129,079.4**	141,116.3
France	**182,027.6**	182,593.1
USA	**3,109.5**	–
Other	**282.3**	577.3
Total	**457,997.6**	507,856.9

6. Expenses by nature

Expenses comprise the following:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Cost of sales	**101.5**	74.1
Employee costs	**261.7**	303.9
Depreciation and non-acquisition software amortisation	**43.7**	62.3
Impairment and amortisation of purchased intangibles assets and non-recurring costs	**175.5**	158.1
IT costs	**93.6**	92.0
Other costs	**126.0**	166.1
Total expenses	**802.0**	856.5

Foreign exchange gains or losses included in the income statement are immaterial.

7. Employee costs

Employee costs comprise the following:

	Notes	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Salaries and other short term benefits		**210.9**	237.6
Social security costs		**33.4**	37.4
Pension costs	18	**13.1**	17.3
Share based compensation		**4.3**	11.6
Total		**261.7**	303.9

The average number of employees in the Group was:

	Period ended 31 December 2014	Year ended 31 March 2014
UK	**1,504**	1,329
Italy	**537**	503
France	**174**	205
Sri Lanka	**688**	659
USA	**1,312**	55
Other	**477**	96
Total	**4,692**	2,847

The Company has no employees.

Average is calculated from date of acquisition of the subsidiary company by the Group.

8. Amortisation of purchased intangible assets and non-recurring items

	Notes	Period ended 31 December 2014 £m	Year ended 31 March 2014 Restated £m
Amortisation of purchased intangible assets	14	**92.6**	116.5
Transaction costs		**54.6**	14.9
Transaction credit		**(2.4)**	–
Restructuring costs		**0.9**	28.8
Restructuring credit		**(3.8)**	–
Integration costs		**11.6**	–
Pension curtailment credit		**–**	(2.1)
Impairment of purchased intangibles and goodwill	14	**22.0**	–
Total affecting operating profit		**175.5**	158.1
Charge for new transaction related revolving credit facility		**1.8**	–
Total affecting profit before tax		**177.3**	158.1
Tax effect on items affecting profit before tax			
Deferred tax on amortisation and impairment of purchased intangible assets		**(33.1)**	(27.1)
Current tax on amortisation and impairment of purchased intangible assets		**(1.4)**	(2.2)
Tax effect on other items affecting profit before tax		**(6.3)**	(9.1)
Total tax effect on items affecting profit before tax		**(40.8)**	(38.4)
Total charge to income statement		**136.5**	119.7

Transaction costs comprise charges incurred for ongoing services related to potential or completed acquisitions.

The transaction credit relates to a reduction in obligations arising from the acquisition of LCH.Clearnet Group.

The restructuring credit relates to contributions made by third parties to cover restructuring costs incurred in previous periods.

Restructuring and integration costs principally relate to the acquisition, restructuring and integration of LCH.Clearnet and Frank Russell Company.

Of the impairment recognised during the period, £21.8 million relates to licenses belonging to a cash generating unit within LCH.Clearnet's business in the USA, that was recognised on the acquisition of the LCH.Clearnet Group. Following a review it was determined that the cash flows required to maintain the current valuation are too uncertain. Consequently, it was considered appropriate to impair the asset. The Group remains committed to developing the business to provide clearing services in the USA and continues to investigate all opportunities as they arise.

The remaining £0.2 million relates to the goodwill on EDX London Limited. Following the transfer of the UK derivatives business to its parent company, the remaining goodwill allocated to the business was impaired.

9. Net finance expense

	Notes	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Finance income			
Bank deposit and other interest income		**1.8**	5.2
Other finance income		**0.5**	0.3
		2.3	5.5
Finance expense			
Interest payable on bank and other borrowings		**(49.2)**	(71.2)
Defined benefit pension scheme interest cost	18	**(0.5)**	(0.8)
Other finance expenses		**(1.9)**	(2.3)
Non-recurring credit facility arrangement fees		**(1.8)**	–
		(53.4)	(74.3)
Net finance expense		**(51.1)**	(68.8)

Net finance expense includes amounts earned from clearing members' cash collateral deposits which attract negative interest rates and amounts where the Group earns negative interest in its cash deposits.

10. Taxation

The standard UK corporation tax rate was 21 per cent (23 per cent for the year ended 31 March 2014).

Taxation charged to the income statement	Notes	**Period ended 31 December 2014** £m	**Year ended 31 March 2014 Restated** £m
Current tax:			
UK corporation tax for the period		**45.4**	43.5
Overseas tax for the period		**48.4**	77.6
Adjustments in respect of previous years		**(9.6)**	(1.2)
		84.2	119.9
Deferred tax:	17		
Deferred tax for the period		**3.0**	(4.7)
Adjustments in respect of previous years		**(0.4)**	(1.8)
Deferred tax liability on amortisation and impairment of purchased intangible assets		**(33.2)**	(27.1)
Taxation charge		**53.6**	86.3

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 credited/(charged) to income statement	**Period ended 31 December 2014** £m	**Year ended 31 March 2014** £m
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	**2.8**	3.5
Gain on cash flow hedges	**(17.2)**	–
Deferred tax (loss)/credit:		
Defined benefit pension scheme remeasurement	**0.7**	(1.7)
Tax allowance on share options/awards in excess of expense recognised	**1.5**	1.0
Movement in value of available for sale financial assets	**0.9**	(0.7)
Adjustments relating to change in UK tax rate	**–**	(0.6)
	(11.3)	1.5

Factors affecting the tax charge for the period

The income statement tax charge for the period differs from the standard rate of corporation tax in the UK of 21 per cent (year ended 31 March 2014: 23 per cent) as explained below:

	Period ended 31 December 2014 £m	**Year ended 31 March 2014 Restated** £m
Profit before taxation	**191.0**	284.3
Profit multiplied by standard rate of corporation tax in the UK	**40.1**	65.4
Expenses not deductible	**9.4**	2.7
Adjustment arising from change in UK tax rate	**0.8**	2.4
Overseas earnings taxed at higher rate	**25.2**	19.1
Adjustments in respect of previous years	**(10.0)**	(3.0)
Amortisation and impairment of purchased intangibles	**(9.2)**	(0.3)
Deferred tax previously not recognised	**(2.7)**	–
Taxation charge	**53.6**	86.3

Notes to the financial statements continued

11. Earnings per share

Earnings per share is presented on four bases: basic earnings per share; diluted earnings per share; adjusted basic earnings per share; and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation of purchased intangible assets, non-recurring items and unrealised gains and losses to enable a better comparison of the underlying earnings of the business with prior periods.

	Period ended 31 December 2014	Year ended 31 March 2014 Restated
Basic earnings per share	**37.9p**	63.0p
Diluted earnings per share	**37.4p**	61.9p
Adjusted basic earnings per share	**75.6p**	98.6p
Adjusted diluted earnings per share	**74.7p**	96.9p

Earnings per share for the year ended 31 March 2014 has been restated for the prior year adjustment (Note 2) and the Rights Issue on 11 September 2014 (Note 28).

Profit and adjusted profit for the financial period attributable to equity holders of the parent:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Profit from continuing operations attributable to owners of the parent	**123.0**	184.9
Total profit attributable to ordinary equity holders of the parent for basic earnings		
Adjustments:		
Amortisation and non recurring items:		
Amortisation of purchased intangible assets	**92.6**	116.5
Transaction costs	**54.6**	14.9
Transaction credit	**(2.4)**	–
Restructuring costs	**0.9**	28.8
Restructuring credit	**(3.8)**	–
Pension curtailment costs	**–**	(2.1)
Integration costs	**11.6**	–
Impairment of purchased intangibles and goodwill	**22.0**	–
Charge for new revolving credit facility	**1.8**	–
Other adjusting items:		
Unrealised net investment (gain)/loss (included in other income)	**(0.1)**	3.5
Tax effect of amortisation and impairment of purchased intangibles and non-recurring items	**(40.8)**	(38.4)
Tax effect of other adjusting items	**–**	(1.2)
Amortisation, non-recurring and adjusting items, and taxation attributable to non-controlling interests	**(13.8)**	(17.6)
Adjusted profit for the financial period attributable to equity holders	**245.6**	289.3
Weighted average number of shares – million	**324.7**	293.3
Effect of dilutive share options and awards – million	**4.2**	5.2
Diluted weighted average number of shares – million	**328.9**	298.5

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

12. Dividends

	Period ended 31 December 2014	Year ended 31 March 2014
	£m	£m
Final dividend for 31 March 2014 paid 19 August 2014: 20.7p per Ordinary share (2013: 19.8p)	**56.2**	53.5
Interim dividend for 31 March 2014 paid 6 January 2014: 10.1p per Ordinary share	**–**	27.3
	56.2	80.8

The Board has proposed a final dividend in respect of the period ended 31 December 2014 of 12.8p per share, which is estimated to amount to £44.4 million, to be paid in June 2015.

The approved interim dividend in respect of the period ended 30 September 2014 of 9.7p per share amounting to £33.6 million and was paid on 5 January 2015.

Neither of these dividends are reflected in this financial information.

13. Property, plant and equipment

	Land & Buildings			
	Freehold	Leasehold	Fixed plant, other plant and equipment	Total
	£m	£m	£m	£m
Cost:				
1 April 2013	53.4	40.0	107.2	200.6
Additions	2.3	0.1	20.4	22.8
Foreign exchange	(0.1)	(0.1)	(1.4)	(1.6)
Acquisition of subsidiaries	–	7.3	8.1	15.4
Disposals	–	(0.1)	(8.9)	(9.0)
31 March 2014	55.6	47.2	125.4	228.2
Additions	**0.5**	**0.1**	**17.6**	**18.2**
Foreign exchange	**0.1**	**(0.3)**	**(1.3)**	**(1.5)**
Impairment	**–**	**(0.1)**	**–**	**(0.1)**
Acquisition of subsidiaries	**–**	**14.5**	**15.1**	**29.6**
Reclassification to Held for Sale and Other non-current assets	**(6.2)**	**–**	**(2.9)**	**(9.1)**
Disposals	**(0.1)**	**(1.4)**	**(2.1)**	**(3.6)**
31 December 2014	**49.9**	**60.0**	**151.8**	**261.7**
Accumulated depreciation:				
1 April 2013	28.1	31.3	61.1	120.5
Charge for the year	0.4	2.9	20.7	24.0
Foreign exchange	(0.1)	(0.1)	(0.5)	(0.7)
Disposals	–	(0.1)	(8.8)	(8.9)
31 March 2014	28.4	34.0	72.5	134.9
Charge for the period	**0.4**	**1.9**	**14.6**	**16.9**
Foreign exchange	**(0.1)**	**(0.2)**	**(0.9)**	**(1.2)**
Reclassification to Held for Sale	**(0.9)**	**–**	**–**	**(0.9)**
Disposals	**(0.1)**	**(1.4)**	**(2.1)**	**(3.6)**
31 December 2014	**27.7**	**34.3**	**84.1**	**146.1**
Net book values:				
31 December 2014	**22.2**	**25.7**	**67.7**	**115.6**
31 March 2014	27.2	13.2	52.9	93.3

The carrying value of equipment held under finance leases at 31 December 2014 was £11.3 million (31 March 2014: nil).

The Company has no property, plant and equipment.

Notes to the financial statements continued

14. Intangible assets

	Goodwill	Purchased intangible assets: Customer and supplier relationships	Purchased intangible assets: Brands	Purchased intangible assets: Software, licenses and intellectual property	Software	Total
	£m	£m	£m	£m	£m	£m
Cost:						
31 March 2013	1,211.9	968.2	237.0	344.6	157.7	2,919.4
Adjustment on prior year	239.6	–	–	–	–	239.6
31 March 2013 (restated)	1,451.5	968.2	237.0	344.6	157.7	3,159.0
Additions	–	–	–	–	106.8	106.8
Acquisition of subsidiaries	174.5	232.0	18.1	82.0	35.4	542.0
Disposals	–	–	–	–	(30.3)	(30.3)
Foreign exchange	(37.0)	(32.5)	(1.5)	(6.0)	(3.9)	(80.9)
31 March 2014 (restated)	1,589.0	1,167.7	253.6	420.6	265.7	3,696.6
Additions	**–**	**–**	**–**	**–**	**48.5**	**48.5**
Acquisition of subsidiaries	**484.7**	**799.7**	**677.6**	**30.7**	**5.6**	**1,998.3**
Disposals	**–**	**(0.8)**	**(0.1)**	**–**	**(29.2)**	**(30.1)**
Foreign exchange	**(63.5)**	**(38.1)**	**1.2**	**(10.0)**	**(17.4)**	**(127.8)**
31 December 2014	**2,010.2**	**1,928.5**	**932.3**	**441.3**	**273.2**	**5,585.5**
Accumulated amortisation and impairment:						
1 April 2013	445.6	188.2	17.4	107.5	111.4	870.1
Adjustment on prior year	50.2	–	–	–	–	50.2
1 April 2013 (restated)	495.8	188.2	17.4	107.5	111.4	920.3
Amortisation charge for the year	–	61.0	10.9	44.6	38.3	154.8
Disposals	–	–	–	–	(30.3)	(30.3)
Foreign exchange	(9.5)	(4.4)	(0.3)	(2.8)	(0.9)	(17.9)
31 March 2014 (restated)	486.3	244.8	28.0	149.3	118.5	1,026.9
Impairment	**0.2**	**–**	**–**	**21.8**	**–**	**22.0**
Amortisation charge for the period	**–**	**48.2**	**10.3**	**34.1**	**26.8**	**119.4**
Disposals	**–**	**(0.8)**	**(0.1)**	**–**	**(28.9)**	**(29.8)**
Foreign exchange	**(19.6)**	**(8.9)**	**(0.4)**	**(5.2)**	**(10.9)**	**(45.0)**
31 December 2014	**466.9**	**283.3**	**37.8**	**200.0**	**105.5**	**1093.5**
Net book values:						
31 December 2014	**1,543.3**	**1,645.2**	**894.5**	**241.3**	**167.7**	**4,492.0**
31 March 2014	1,102.7	922.9	225.6	271.3	147.2	2,669.7

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill arising on consolidation represents the growth potential and assembled workforces of the Frank Russell Group, Italian Group, LCH.Clearnet Group, FTSE Group, MillenniumIT and Turquoise. The Company has no intangible assets.

The acquisition of the Frank Russell Group and Bonds.com Group resulted in an increase of goodwill in the Group of £484.7 million in the period. This value is preliminary and will be finalised during the following year.

During the period, additions relating to internally generated software was £48.5 million (31 March 2014: £106.8 million).

The carrying value of licenses held under finance leases at 31 December 2014 was £1.4 million (31 March 2014: nil).

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to 10 cash generating units (CGUs), including the CGUs resulting from the acquisition of the Frank Russell Group.

The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by management covering the five year period ending 31 December 2019. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below.

	Net book value of goodwill					
	31 March 2014 (restated) £m	Acquisitions of subsidiaries £m	Impairment £m	Foreign exchange £m	31 December 2014 £m	Pre-tax discount rate used in value in use calculations
Italian Group:						
Capital Markets	234.7	8.7	–	(14.0)	229.4	11.0%
Information Services	166.6	–	–	(9.6)	157.0	11.3%
Technology Services	31.3	–	–	(1.8)	29.5	11.2%
Post Trade Services	357.5	–	–	(15.3)	342.2	11.2%
MillenniumIT	1.3	–	–	0.1	1.4	16.6%
Turquoise	7.6	–	–	–	7.6	10.6%
FTSE Group	186.4	–	–	1.2	187.6	7.1%
LCH.Clearnet Group	117.1	–	–	(6.5)	110.6	8.9%
Frank Russell Group						
Information Services	–	333.4	–	1.5	334.9	N/A
Investment Management	–	142.6	–	0.5	143.1	N/A
EDX London Ltd	0.2	–	(0.2)	–	–	N/A
	1,102.7	**484.7**	**(0.2)**	**(43.9)**	**1,543.3**	

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short and medium term revenue and cost growth assumptions reflect current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience, taking into account an expected further recovery in underlying financial markets.

Long term growth rates (assumed to be 1.7 per cent for each of the Italian CGUs, 4.0 per cent for MillenniumIT, 3.5 per cent for Turquoise and the FTSE Group, and 2.6 per cent for the LCH.Clearnet Group) represent management's internal forecasts based on external estimates of GDP and inflation for the 16 year period 1 January 2004 to 31 December 2019, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, France, Sri Lanka, USA and the UK as appropriate, the Group's estimated market risk premium and a premium to reflect the inherent risks of each of the CGUs.

Based on the results of the impairment tests performed management believes there is no impairment of the carrying value of the goodwill in any CGU with the exception of EDX.

Value in use calculations for each CGU are sensitive to changes in short and medium term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates. The impact on value in use of reasonable changes in these assumptions is shown below:

		Impact on value in use of:			
	Excess of value in use over carrying value	5% reduction in revenues	5% increase in costs	0.5% reduction in long-term growth rate	0.5% increase in pre-tax discount rate
	£m	£m	£m	£m	£m
Italian group:					
Capital Markets	430.2	32.5	78.4	49.3	44.7
Information Services	77.0	10.6	19.2	13.7	11.7
Technology Services	53.3	0.3	8.1	4.0	3.5
Post Trade Services	251.3	83.6	46.7	39.1	34.0

Management believes goodwill allocated to the Frank Russell Group, LCH.Clearnet Group, FTSE Group, MillenniumIT and Turquoise CGUs is unlikely to be materially impaired under any reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2014. Revenue and cost sensitivities assume a five per cent change in revenues or costs for each of the five years in the value in use calculations.

15. Investment in associates

The following table illustrates the summarised financial information of the Group's investment in associates.

Company	£m
1 April 2013	0.6
Disposal	(0.3)
31 March 2014	0.3
Acquisition of associates	**11.9**
Share of profit	**0.1**
Share of capital decrease and dividend distribution	**(0.2)**
31 December 2014	**12.1**

The Group's share of the results of its principal associate, is its interest in Ping AN Russell Investment Management (Shanghai) Co Limited. The principal activities of the associate includes undertaking research, development and promotion, as well as providing investment consultation, investment management and investment plan implementation and execution services. The financial information relating to the Group's share of its principal associate is listed below:

	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit/(loss) after tax £m	% interest held
Ping AN Russell Investment Management Shanghai Co Limited	**China**	**17.0**	**4.3**	**0.5**	**(0.1)**	**49.0**

16. Investment in subsidiary undertakings

Company	Shares £m	Loans £m	Other £m	Total £m
1 April 2013	3,320.6	380.4	78.1	3,779.1
Capital contribution to London Stock Exchange Group Holdings (I) Ltd	–	–	460.4	460.4
Impairment of London Stock Exchange Group Holdings (R) Ltd	(10.6)	–	–	(10.6)
Other movements during the year	–	(380.4)	10.4	(370.0)
31 March 2014	3,310.0	–	548.9	3,858.9
Capital contribution to LSEGH US Holdco Inc.	**–**	**–**	**441.1**	**441.1**
Capital contribution to LSEGH (Luxembourg) Ltd	**581.8**	**–**	**–**	**581.8**
Other movements during the period	**–**	**–**	**7.3**	**7.3**
31 December 2014	**3,891.8**	**–**	**997.3**	**4,889.1**

Principal subsidiaries:	Principal activity	Country of incorporation	Country of principal operations	% equity and votes held
Held directly by the Company:				
London Stock Exchange plc	Recognised investment exchange	UK	UK	100
Held indirectly by the Company:				
BIt Market Services S.p.A.	Retail information services & market technology	Italy	Italy	99.99
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.99
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	Italy	Italy	99.99
FTSE International Ltd	Market indices provider	UK	UK	100
LCH.Clearnet Group Limited	CCP clearing services	UK	UK	57.80
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.80
Millennium Information Technologies Software Ltd	IT solutions provider	Sri Lanka	Sri Lanka	100
Societa per il Mercato dei Titoli di Stato S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.37
Turquoise Global Holdings Ltd	Multi-lateral trading facility	UK	UK	51.36
Frank Russell Company	Global asset manager and index business	USA	USA	100

On 2 December 2014, the Group entered into a transaction that resulted in the Group acquiring a 100 per cent stake in Frank Russell Company for a total consideration of £1,678.5 million.

On 8 May 2014, the Group completed the acquisition of Bonds.com, resulting in a majority stake of 60.37 per cent in the company for a consideration of £8.8 million.

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries will be annexed to the next annual return of London Stock Exchange Group plc.

Notes to the financial statements continued

LCH.Clearnet Group Limited is the only subsidiary that has material non-controlling interests within the Group. Financial information relating to this subsidiary is provided below:

	Period ended 31 December 2014	Year ended 31 March 2014
	£m	£m
Accumulated balances of material non-controlling interests	**329.3**	342.5
(Losses)/profits allocated to material non-controlling interests	**(13.2)**	3.0

Accumulated balances included goodwill, purchased intangibles and associated amortisation and impairments attributable to non-controlling interests.

The summarised financial information of LCH.Clearnet Group is provided below. This information is based on amounts before inter-company eliminations.

	Period ended 31 December 2014	Year ended 31 March 2014
Summarised statement of profit and loss	£m	£m
Revenue	**238.5**	262.0
Profit for the period	**27.6**	33.3
Total comprehensive income	**30.7**	38.8
Attributable to non-controlling interests	**13.0**	16.4
Dividends paid to non controlling interests	**–**	–

	Period ended 31 December 2014	Year ended 31 March 2014
Summarised statement of financial position	£m	£m
Non-current assets	**219.1**	268.6
Current assets	**325,870.2**	369,397.4
Current liabilities	**(325,270.7)**	(368,851.4)
Non-current liabilities	**(166.9)**	(152.9)
Total equity	**651.7**	661.7
Attributable to:		
Equity holders of the Company	**376.7**	382.5
Non-controlling interests	**275.0**	279.2

	Period ended 31 December 2014	Year ended 31 March 2014
	£m	£m
Net increase in cash and cash equivalents	**47.7**	603.6

LCH.Clearnet Group was acquired on 1 May 2013. Their results have been incorporated from that date.

17. Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below.

Group	Accelerated tax depreciation £m	Acquisition deferred tax and amortisation £m	Provisions and other temporary differences £m	Total £m
31 March 2013	1.6	(108.6)	17.2	(89.8)
Adjustment in prior year (Note 2)	–	(158.1)	–	(158.1)
1 April 2013 (restated)	1.6	(266.7)	17.2	(247.9)
Tax credited to the income statement:	1.1	27.1	5.4	33.6
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme remeasurement loss	–	–	(1.7)	(1.7)
– allowance on share options/awards	–	–	1.0	1.0
– movement in value of available for sale financial assets	–	–	(0.7)	(0.7)
– foreign exchange	–	(4.3)	–	(4.3)
– adjustments relating to change in UK tax rate	–	–	(0.6)	(0.6)
Balance sheet transfer of pre-acquisition balances	5.7	–	5.8	11.5
Deferred tax recognised on acquisition	–	(72.3)	–	(72.3)
31 March 2014 (restated)	8.4	(316.2)	26.4	(281.4)
Transfer between categories	**2.8**	**5.5**	**(8.3)**	**–**
Tax (charged)/credited to the income statement:	**(0.7)**	**33.2**	**(1.9)**	**30.6**
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme remeasurement loss	**–**	**–**	**0.7**	**0.7**
– allowance on share options/awards	**–**	**–**	**1.5**	**1.5**
– movement in value of available for sale financial assets	**–**	**–**	**0.9**	**0.9**
– foreign exchange	**(0.4)**	**10.5**	**–**	**10.1**
Balance sheet transfer of pre-acquisition balances	**(4.5)**	**–**	**37.9**	**33.4**
Deferred tax recognised on acquisition	**–**	**(578.8)**	**–**	**(578.8)**
31 December 2014	**5.6**	**(845.8)**	**57.2**	**(783.0)**
Assets at 31 December 2014	**10.5**	**–**	**66.0**	**76.5**
Liabilities at 31 December 2014	**(4.9)**	**(845.8)**	**(8.8)**	**(859.5)**
Net assets/(liabilities) at 31 December 2014	**5.6**	**(845.8)**	**57.2**	**(783.0)**
Assets at 31 March 2014 (restated)	8.4	–	33.8	42.2
Liabilities at 31 March 2014 (restated)	–	(316.2)	(7.4)	(323.6)
Net assets/(liabilities) at 31 March 2014 (restated)	8.4	(316.2)	26.4	(281.4)

The deferred tax assets are recoverable against future taxable profits and are due after more than one year.

The deferred tax asset of £57.2 million (year ended 31 March 2014: £26.4 million) in respect of provisions and other temporary differences mainly relates to deferred and accrued compensation in Russell group £28.5 million (year ended 31 March 2014: nil), share based payments £5.4 million (year ended 31 March 2014: £5.6 million), retirement benefits £5.6 million (year ended 31 March 2014: £4.8 million), trading losses 4.3 million (year ended 31 March 2014: £0.5 million) and other provisions and temporary differences £13.4 million (year ended 31 March 2014: £15.5 million).

The purchased intangible assets of the Italian group create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £20.4 million (year ended 31 March 2014: £17.0 million) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company.

18. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Group in a separate trustee administered fund and the funds are primarily managed by Schroder Investment Management Limited, Legal & General Investment Management Limited, PIMCO Europe Limited and Aviva Investors during the period.

The 'Other plans' relate to the severance and leaving indemnity scheme Trattamento di Fine Rapporto (TFR) operated by the Italian group in accordance with Italian law, the employee benefit and retirement plan operated by MillenniumIT and the pension commitments of LCH.Clearnet group.

The Company has no retirement benefit obligations.

The only scheme operated by FTSE International and Frank Russell Company are a defined contribution schemes.

Defined benefit schemes
The UK defined benefit scheme was a non-contributory scheme and closed to new members in 1999. With effect from 31 March 2012, the scheme also closed to accrual of future benefits for active members and it has been agreed that the benefits for affected members will remain linked to their salary with the Group.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

The TFR operated by the Italian group is classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91 per cent of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75 per cent of 'national life price index +1.5 per cent' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as a defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than five years, he or she is entitled to a payment equivalent to half a month's gross salary multiplied by the number of years in service at MillenniumIT.

The defined benefit scheme operated by LCH.Clearnet was closed to new members from 30 September 2009. The scheme was closed to further employee contributions from 31 March 2013.

Defined contribution schemes
The Group's defined contribution schemes are now the only schemes open to new employees in the UK, Italy and LCH entities. For the UK pension plan, a core contribution of four to eight per cent of pensionable pay is provided and the Group will match employee contributions up to a maximum of six to ten per cent of pensionable pay. LCH pays fixed contributions to the defined contribution scheme and there is no legal or constructive obligation to pay further contributions.

Amounts recognised in the income statement are as follows:

		Period ended 31 December 2014				Year ended 31 March 2014			
		LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
	Notes	£m	£m	£m	£m	£m	£m	£m	£m
Defined contribution schemes		**(2.5)**	**(5.2)**	**(4.7)**	**(12.4)**	(3.4)	(5.5)	(7.6)	(16.5)
Defined benefit scheme – current service cost and expenses		**(0.5)**	**(0.1)**	**(0.1)**	**(0.7)**	(0.9)	(0.5)	0.6	(0.8)
Total pension charge included in employee costs	7	**(3.0)**	**(5.3)**	**(4.8)**	**(13.1)**	(4.3)	(6.0)	(7.0)	(17.3)
Net finance (expense)/income	9	**(0.8)**	**0.6**	**(0.3)**	**(0.5)**	(0.7)	0.4	(0.5)	(0.8)
Total recognised in the income statement		**(3.8)**	**(4.7)**	**(5.1)**	**(13.6)**	(5.0)	(5.6)	(7.5)	(18.1)

Defined benefit assets/(obligations) for pension schemes

	Period ended 31 December 2014				Year ended 31 March 2014			
	LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fair value of assets:								
Equities (quoted)	**9.1**	**94.6**	**0.1**	**103.8**	8.4	87.7	0.1	96.2
Bonds (quoted)	**126.7**	**105.3**	**0.2**	**232.2**	104.2	76.8	0.1	181.1
Property	**0.8**	**–**	**0.1**	**0.9**	4.3	–	0.1	4.4
Cash	**6.2**	**7.3**	**0.1**	**13.6**	4.4	5.8	0.1	10.3
Pensioner buy in policy	**162.0**	**–**	**–**	**162.0**	155.4	–	–	155.4
Foreign exchange	**–**	**(5.4)**	**(0.1)**	**(5.5)**	–	(2.8)	–	(2.8)
Total fair value of assets	**304.8**	**201.8**	**0.4**	**507.0**	276.7	167.5	0.4	444.6
Present value of funded obligations	**(331.9)**	**(185.8)**	**(13.1)**	**(530.8)**	(300.6)	(153.0)	(13.4)	(467.0)
(Deficit)/surplus	**(27.1)**	**16.0**	**(12.7)**	**(23.8)**	(23.9)	14.5	(13.0)	(22.4)

UK pension plan actuarial assumptions are set out below:

	31 December 2014		31 March 2014	
	LSEG UK	LCH UK	LSEG UK	LCH UK
Inflation rate – RPI	**3.1%**	**3.1%**	3.4%	3.4%
Inflation rate – CPI	**2.1%**	**2.1%**	2.4%	2.4%
Rate of increase in salaries	**3.1%**	**n/a**	3.4%	n/a
Rate of increase in pensions in payment	**3.4%**	**2.2%**	3.6%	2.2%
Discount rate	**3.7%**	**3.7%**	4.5%	4.5%
Life expectancy from age 60 (years)				
– Non retired male member	**28.6**	**30.4**	28.6	30.4
– Non retired female member	**30.5**	**32.8**	30.5	32.6
– Retired male member	**27.1**	**28.1**	27.1	29.3
– Retired female member	**29.2**	**30.4**	29.2	31.3

The mortality assumptions are based on the standard tables S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for CMI 2013 projections and applied a 1.25 per cent/1.00 per cent for male/female long term trend rate in respect of future mortality improvements.

Sensitivities

The sensitivities regarding the principal assumptions used to measure the LSEG UK scheme obligations are:

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate (CPI)	Increase by 0.5%	Increase by £5.4m
Rate of increase in pensions payment	Increase by 0.5%	Increase by £23.6m
Discount rate	Increase by 0.5%	Reduce by £25.6m
Mortality rate	Increase by 1 year	Increase by £10.9m

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Changes in the present value of the defined benefit obligation

	Period ended 31 December 2014				Year ended 31 March 2014			
	LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Benefit obligation as at beginning of period/year	**300.6**	**153.0**	**13.4**	**467.0**	291.4	–	7.9	299.3
Liabilities acquired in a business combination	–	–	–	–	–	160.6	11.1	171.7
Pension expense/(income):								
Current service cost	–	**(0.2)**	**0.1**	**(0.1)**	–	0.5	(0.6)	(0.1)
Interest cost	**10.0**	**5.1**	**0.3**	**15.4**	12.9	6.1	0.6	19.6
Subtotal included in the income statement	**10.0**	**4.9**	**0.4**	**15.3**	12.9	6.6	–	19.5
Re-measurement losses/(gains):								
Actuarial losses/(gains) – financial assumptions	**30.6**	**31.7**	**1.1**	**63.4**	–	(13.6)	0.3	(13.3)
Actuarial (gains)/losses – demographic assumptions	–	**(3.2)**	–	**(3.2)**	1.3	–	0.2	1.5
Actuarial (gains)/losses – experience	**(2.1)**	–	**(0.2)**	**(2.3)**	4.3	–	(0.5)	3.8
Other actuarial movements through the income statement	–	–	**0.1**	**0.1**	–	–	–	–
Subtotal included in other comprehensive income	**28.5**	**28.5**	**1.0**	**58.0**	5.6	(13.6)	–	(8.0)
Benefits paid	**(7.2)**	**(1.8)**	**(1.1)**	**(10.1)**	(9.3)	(2.4)	(5.4)	(17.1)
Foreign exchange	–	**1.2**	**(0.6)**	**0.6**	–	1.8	(0.2)	1.6
Benefit obligation as at end of period/year	**331.9**	**185.8**	**13.1**	**530.8**	300.6	153.0	13.4	467.0

Movement in fair value of scheme assets during the period

	Period ended 31 December 2014				Year ended 31 March 2014			
	LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fair value of scheme assets as at beginning of period/year	**276.7**	**167.5**	**0.4**	**444.6**	273.7	–	–	273.7
Assets acquired in a business combination	–	–	–	–	–	169.6	3.6	173.2
Pension income:								
Interest income	**9.2**	**5.7**	–	**14.9**	12.2	6.5	0.1	18.8
Subtotal included in the income statement	**9.2**	**5.7**	–	**14.9**	12.2	6.5	0.1	18.8
Re-measurement gains:								
Return on plan assets, excluding interest income	**23.1**	**29.3**	–	**52.4**	(2.6)	(7.0)	0.3	(9.3)
Subtotal included in other comprehensive income	**23.1**	**29.3**	–	**52.4**	(2.6)	(7.0)	0.3	(9.3)
Contributions by employer	**3.5**	**0.5**	**0.2**	**4.2**	3.6	–	0.1	3.7
Expenses	**(0.5)**	**(0.2)**	–	**(0.7)**	(0.9)	–	–	(0.9)
Benefits paid	**(7.2)**	**(1.8)**	**(0.2)**	**(9.2)**	(9.3)	(2.4)	(3.7)	(15.4)
Foreign exchange	–	**0.8**	–	**0.8**	–	0.8	–	0.8
Fair value of scheme assets as at end of period/year	**304.8**	**201.8**	**0.4**	**507.0**	276.7	167.5	0.4	444.6

The actual return on plan assets was £67.2 million (year ended 31 March 2014: £9.6 million).

Notes to the financial statements continued

Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income:

	Period ended 31 December 2014			Year ended 31 March 2014		
	LSEG UK	LCH UK	Other plans	LSEG UK	LCH UK	Other plans
	£m	£m	£m	£m	£m	£m
Recognised up to beginning period/year	**(27.9)**	**6.6**	**(0.7)**	(19.7)	–	(1.0)
Net actuarial (loss)/gain recognised in the period/year	**(5.4)**	**0.6**	**(0.8)**	(8.2)	6.6	0.3
Cumulative amount recognised at end of period/year	**(33.3)**	**7.2**	**(1.5)**	(27.9)	6.6	(0.7)

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2012 by an independent qualified actuary. The Group is currently in discussion on the contributions to the defined benefit scheme during the year to 31 March 2015. The next actuarial valuation as at 31 March 2015 may result in an adjustment to future contribution levels.

The Group estimates the present value of the duration of defined benefit obligations on average to fall due over 20 years.

19. Trade and other receivables

		Group		Company	
		31 December 2014	31 March 2014	31 December 2014	31 March 2014
	Note	£m	£m	£m	£m
Trade receivables		**152.8**	133.5	**–**	–
Less: provision for impairment of receivables		**(5.0)**	(5.2)	**–**	–
Trade receivables – net		**147.8**	128.3	**–**	–
Amounts due from Group undertakings	34	**–**	–	**653.8**	534.1
Other receivables		**169.8**	38.3	**–**	–
Prepayments and accrued income		**253.5**	83.9	**0.6**	–
		571.1	250.5	**654.4**	534.1

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values.

Trade receivables that are not past due are not considered to be impaired.

The ageing of past due debtors for the Group is as follows:

	31 December 2014		31 March 2014	
	Impaired	Not impaired	Impaired	Not impaired
	£m	£m	£m	£m
0 to 3 months past due	**–**	**50.5**	–	50.7
Greater than 3 months past due	**5.0**	**35.1**	5.2	11.6
	5.0	**85.6**	5.2	62.3

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	31 December 2014	31 March 2014
	£m	£m
Sterling	**155.5**	122.9
Euro	**101.0**	90.7
US Dollar	**301.2**	–
Other Currencies	**13.4**	36.9
	571.1	250.5

Movements on the Group provision for impairment of trade receivables are as follows:

	31 December 2014 £m	31 March 2014 £m
1 April	**5.2**	6.1
Provision for receivables impairment	**2.2**	3.4
Receivables written off during the period/year as uncollectible	**(0.4)**	(0.7)
Provisions no longer required	**(1.9)**	(3.4)
Foreign exchange	**(0.1)**	(0.2)
31 December/31 March	**5.0**	5.2

The creation and release of the provision for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

20. Financial assets and financial liabilities

The financial instruments of the Group and Company are categorised as follows:

	Group					Company		
31 December 2014	Loans and receivables £m	Held-to-maturity assets £m	Available for sale at fair value through OCI £m	Financial instruments at fair value through profit or loss £m	Total £m	Loans and receivables £m	Financial instruments at fair value through profit or loss £m	Total £m
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	–	293,722.9	**293,722.9**	–	–	**–**
– Receivables for repurchase transactions	113,084.8	–	–	–	**113,084.8**	–	–	**–**
– Other receivables from clearing members	2,908.3	–	–	–	**2,908.3**	–	–	**–**
– Financial assets held at fair value	–	–	11,112.9	9,123.9	**20,236.8**	–	–	**–**
– Cash and cash equivalents of clearing members	21,493.0	–	–	–	**21,493.0**	–	–	**–**
Financial assets of the CCP clearing business	137,486.1	–	11,112.9	302,846.8	**451,445.8**	–	–	**–**
Assets held at fair value				12.4	**12.4**	–	–	**–**
Total financial assets for CCP clearing	137,486.1	–	11,112.9	302,859.2	**451,458.2**	–	–	**–**
Other non-current assets	42.9	–	–	21.9	**64.8**	–	–	**–**
Trade and other receivables	567.5	–	–	3.6	**571.1**	654.4	–	**654.4**
Cash and cash equivalents	1,052.0	–	–	75.2	**1,127.2**	0.2	–	**0.2**
Available for sale financial assets	–	–	4.8	–	**4.8**	–	–	**–**
Derivatives not designated as hedges								
– Foreign exchange forward contracts	–	–	–	0.4	**0.4**	–	–	**–**
Derivatives used for hedging								
Fair value hedges:								
– Cross currency interest rate swaps	–	–	–	22.7	**22.7**	–	22.7	**22.7**
Total	**139,148.5**	**–**	**11,117.7**	**302,983.0**	**453,249.2**	**654.6**	**22.7**	**677.3**

There were no transfers between categories during the period.

Notes to the financial statements continued

31 December 2014	Group Financial liabilities at amortised cost £m	Group Financial liabilities at fair value through profit and loss £m	Group Total £m	Company Financial liabilities at amortised cost £m	Company Financial liabilities at fair value through profit and loss £m	Company Total £m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	293,722.8	**293,722.8**	–	–	**–**
– Liabilities under repurchase transactions	113,084.8	–	**113,084.8**	–	–	**–**
– Other payables to clearing members	44,650.1	–	**44,650.1**	–	–	**–**
– Financial liabilities held at fair value	–	9.8	**9.8**	–	–	**–**
Total financial liabilities of the CCP clearing	157,734.9	293,732.6	**451,467.5**	–	–	**–**
Trade and other payables	727.4	–	**727.4**	195.0	–	**195.0**
Borrowings	1,726.4	–	**1,726.4**	923.7	–	**923.7**
Provisions	14.4	–	**14.4**	–	–	**–**
Other non-current liabilities	43.1	34.4	**77.5**	–	–	**–**
Other non-current payables	73.3	–	**73.3**	–	–	**–**
Total	160,319.5	293,767.0	**454,086.5**	1,118.7	**–**	**1,118.7**

There were no transfers between categories during the period.

The financial instruments of the Group and Company at the previous year's balance sheet date were as follows:

31 March 2014	Group Loans and receivables £m	Group Held-to-maturity assets £m	Group Available for sale at fair value through OCI £m	Group Financial instruments at fair value through profit or loss £m	Group Total £m	Company Loans and receivables £m	Company Financial instruments at fair value through profit or loss £m	Company Total £m
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	–	337,211.5	337,211.5	–	–	–
– Receivables for repurchase transactions	117,702.6	–	–	–	117,702.6	–	–	–
– Other receivables from clearing members	4,442.5	–	–	–	4,442.5	–	–	–
– Financial assets held at fair value	–	1,433.3	5,926.7	9,707.8	17,067.8	–	–	–
– Cash and cash equivalents of clearing members	27,351.8	–	–	–	27,351.8	–	–	–
Financial assets of the CCP clearing business	149,496.9	1,433.3	5,926.7	346,919.3	503,776.2	–	–	–
Assets held at fair value	–	–	–	18.7	18.7	–	–	–
Total financial assets for CCP clearing	149,496.9	1,433.3	5,926.7	346,938.0	503,794.9	–	–	–
Other non-current assets	38.0	–	–	–	38.0	–	–	–
Trade and other receivables	250.5	–	–	–	250.5	534.1	–	534.1
Cash and cash equivalents	919.2	–	–	–	919.2	–	–	–
Available for sale financial assets	–	–	4.8	–	4.8	–	–	–
Derivatives used for hedging								
Fair value hedges:								
– Cross currency interest rate swaps	–	–	–	6.7	6.7	–	6.7	6.7
Total	150,704.6	1,433.3	5,931.5	346,944.7	505,014.1	534.1	6.7	540.8

Balances on certain CCP financial assets at the prior year end were re-categorised in the current period.

	Group			Company		
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total
31 March 2014	£m	£m	£m	£m	£m	£m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	337,211.5	337,211.5	–	–	–
– Liabilities under repurchase transactions	117,702.6	–	117,702.6	–	–	–
– Other payables to clearing members	48,808.2	–	48,808.2	–	–	–
– Financial liabilities held at fair value	–	25.1	25.1	–	–	–
Total financial liabilities of the CCP clearing	166,510.8	337,236.6	503,747.4	–	–	–
Trade and other payables	394.0	7.5	401.5	204.3	–	204.3
Borrowings	1,223.7	–	1,223.7	822.6	–	822.6
Provisions	19.4	–	19.4	–	–	–
Other non-current liabilities	53.3	25.90	79.2	–	–	–
Derivatives used for hedging						
Fair value hedges:						
– Interest rate swaps	–	3.4	3.4	–	–	–
– Cross currency interest rate swaps	–	4.0	4.0	–	4.0	4.0
Total	168,201.2	337,277.4	505,478.6	1,026.9	4.0	1,030.9

There were no transfers between catagories during the year.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2014:

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Financial assets measured at fair value				
CCP trading assets:				
Derivative instruments:				
– Futures	3,715.9	–	–	**3,715.9**
– Options	1,184.3	–	–	**1,184.3**
– Commodities derivatives	138.4	–	–	**138.4**
Non-derivative instruments:				
– CCP Transactions	5.7	288,678.6	–	**288,684.3**
Financial assets held at fair value:				
– Equities and bonds	6,957.8	–	–	**6,957.8**
– Securities	6,491.8	–	–	**6,491.8**
– Government backed, bank issued certificates of deposits	6,799.6	–	–	**6,799.6**
Fair value of transactions with CCP members	**25,293.5**	**288,678.6**	**–**	**313,972.1**

Notes to the financial statements continued

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Available for sale financial assets:				
– Investment in unquoted equity – Euroclear	–	4.8	–	**4.8**
Derivatives not used for hedging:				
– Foreign exchange forward contracts	–	0.4	–	**0.4**
Derivatives used for hedging:				
– Cross currency interest rate swaps	–	22.7	–	**22.7**
Other non-current assets:				
– Investments in subordinated trust	–	11.9	–	**11.9**
– Investment Funds	–	2.7	5.3	**8.0**
– Investment in preferred securities	–	–	2.0	**2.0**
Trade and other receivables:				
– Investments in subordinated trusts	3.6	–	–	**3.6**
Cash and cash equivalents:				
– Money market mutual funds	75.2	–	–	**75.2**

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Financial liabilities measured at fair value:				
CCP trading liabilities:				
Derivative instruments:				
– Futures	3,715.9	–	–	**3,715.9**
– Options	1,184.3	–	–	**1,184.3**
– Commodities derivatives	138.4	–	–	**138.4**
Non-derivative instruments:				
– CCP balances	5.7	288,678.5	–	**288,684.2**
Financial liabilities held at fair value:				
– Equities and bonds	9.8	–	–	**9.8**
Fair value of transactions with CCP members	**5,054.1**	**288,678.5**	**–**	**293,732.6**
Other non-current liabilities:				
– Canadian dollar denominated Put Option	–	26.8	–	**26.8**
– Euro denominated Put Option	–	7.6	–	**7.6**

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 March 2014:

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Financial assets measured at fair value:				
CCP trading assets:				
Derivative instruments:				
– Futures	6,150.3	–	–	6,150.3
– Options	1,846.9	–	–	1,846.9
– Commodities derivatives	471.5	–	–	471.5
Non-derivative instruments:				
– CCP Transactions	9.4	328,733.40	–	328,742.8
Financial assets held at fair value				
– Equities and bonds	6,777.6	–	–	6,777.6
– Securities	5,926.7	–	–	5,926.7
– Government backed, bank issued certificates of deposit	2,948.9	–	–	2,948.9
Fair value of transactions with CCP members	24,131.3	328,733.4	–	352,864.7
Available for sale financial assets:				
– Investment in unquoted equity – Euroclear	–	4.8	–	4.8
Derivatives used for hedging:				
– Cross currency interest rate swaps	–	6.7	–	6.70

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Financial liabilities measured at fair value:				
CCP trading liabilities:				
Derivative instruments:				
– Futures	6,150.3	–	–	6,150.3
– Options	1,846.9	–	–	1,846.9
– Commodities derivatives	471.5	–	–	471.5
Non-derivative instruments:				
– CCP balances	9.4	328,733.4	–	328,742.8
Financial liabilities held at fair value:				
– Equities and bonds	25.1	–	–	25.1
Fair value of transactions with CCP members	8,503.2	328,733.4	–	337,236.6
Derivatives used for hedging:				
– Interest rate swaps	–	3.4	–	3.4
– Cross currency interest rate swaps	–	4.0	–	4.0
Other non-current liabilities:				
– Canadian dollar denominated Put Option	–	25.9	–	25.9
– Euro denominated Put Option	–	–	–	–
Trade and other payables:				
– Euro denominated Put Option	–	7.5	–	7.5

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities classified as Level 1, the fair value is based on market price quotations at the reporting date.

For assets and liabilities classified as Level 2, the fair value is calculated using one or more valuation techniques (e.g. the market approach or the income approach) with market observable inputs. The selection of the appropriate valuation techniques may be affected by the availability of the relevant inputs as well as the reliability of the inputs. The inputs may include currency rates, interest rate and forward rate curves and net asset values. The results of the application of the various techniques may not be equally representative of fair value, due to factors such as assumptions made in the valuation.

There have been no transfers between Level 1 and Level 2 during the period.

When observable market data is not available, the Group uses one or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments.

The Group holds investments in preferred securities and investment funds for which there is no active market. These interests, in the absence of a recent and relevant secondary market transaction, are classified as Level 3 because the valuations require significant levels of management judgment. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and other risk factors. The selection of appropriate valuation techniques may be affected by the availability of relevant inputs as well as the relative reliability of the inputs. The results of the application of the various techniques may not be equally representative of fair value, due to factors such as assumptions made in the valuation. Gains and losses associated with the changes in the fair value of Level 3 financial instruments are included in other income on the consolidated income statement. There were no changes to valuation techniques for Level 3 assets and liabilities during the period.

There were no transfers into or out of Level 3 (from or to other fair value hierarchy levels) during the period.

There were no gains or losses from Level 3 assets and liabilities for the period recognised in the income statement and in the statement of other comprehensive income.

The following table provides a reconciliation from opening balance to closing balance of Level 3 assets:

	Investment funds £m	Investment in preferred securities £m
Balance at 1 April 2014	–	–
Acquisition of Frank Russell Company	**5.1**	**2.0**
Distributions	**(0.2)**	–
Contributions	**0.4**	–
Balance at 31 December 2014	**5.3**	**2.0**

The management has assessed that the fair value of financial assets and financial liabilities categorised as 'Loans and receivables', 'Held to Maturity' and 'Financial liabilities at amortised cost' approximate their carrying values. The fair value of the Group's borrowings is disclosed in Note 25.

The Group's financial assets and liabilities held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies note on pages 124-125.

As at 31 December 2014, there were no provisions for impairment in relation to any of the CCP financial assets (31 March 2014: nil) and none of these assets were past due (31 March 2014: nil).

Other non-current assets include financial instruments at fair value through profit and loss of £21.9 million (31 March 2014: nil), prepayments relating to tax and insurances of £35.4 million (31 March 2014: nil), rental deposits of £0.4 million (31 March 2014: £0.2 million), deferred commissions of £1.3 million (31 March 2014: nil), finance lease recoverable of £1.9 million (31 March 2014: nil) and other financial assets are £3.9 million (31 March 2014: £37.8 million).

Other non-current liabilities include deferred consideration of £15.9 million (31 March 2014: £19.4 million), put options of £34.4 million (31 March 2014: £26.0 million), non-current lease obligations of £5.1 million (31 March 2014: nil), and other financial liabilities related to the clearing business of £22.1 million (31 March 2014: £33.8 million).

Other non-current payables include incentive compensation liabilities of £31.7 million (31 March 2014: nil), deferred compensation of £12.9 million (31 March 2014: nil), unrecognised tax benefit of £3.0 million (31 March 2014: nil) and long term liabilities including tenant improvements and rentals of £25.7 million (31 March 2014: nil).

Hedging activities and derivatives

Derivative financial assets of £22.7 million represents the fair value of the cross currency interest rate swaps (amounting to 10 contracts totalling €500.0 million). These effectively exchange some of the obligations and coupons of the 2016 and the 2019 £250 million bonds from sterling into euros in order to more closely match the currency of borrowings to the Group's currency of net assets and earnings. This results in a reduction in translation exposure on euro denominated net assets and the protection of sterling cash flows. These swaps have been designated as a hedge of the Group's net investment in the Italian group and qualify for effective hedge accounting. For the period ended 31 December 2014, the Group recognised the £20.0 million movement in mark to market value of these derivatives in reserves (31 March 2014: £2.3 million).

Foreign exchange forward contracts were arranged during the period to hedge the fair value of USD and JPY denominated exposures. These hedges forward buy and sell payables and receivables denominated in USD and JPY, with the mark to market adjustments offsetting the hedged item revaluation in the income statement. This also offers more predictable cash flows to the Group at maturity. At 31 December 2014, a payable of USD12.7 million and receivable of JPY4.2 billion were hedged forward into the next financial year. The market value of the hedges was £0.4 million in aggregate.

At 31 December 2014, the Company had derivative asset of £22.7 million (31 March 2014: £6.7 million) and derivative liability of £nil (31 March 2014: £4.0 million). All derivatives in the Company are cross currency interest rate swaps and classified as Level 2.

21. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following table shows the impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 December 2014.

31 December 2014	Gross amounts £m	Amount offset £m	Net amount as reported £m
Derivative financial assets	**21,247,763**	**(21,246,516)**	**1,247**
Reverse repurchase agreements	**456,449**	**(169,010)**	**287,439**
Total assets	**21,704,212**	**(21,415,526)**	**288,686**
Derivative financial liabilities	**(21,247,763)**	**21,246,516**	**(1,247)**
Reverse repurchase agreements	**(456,449)**	**169,010**	**(287,439)**
Total liabilities	**(21,704,212)**	**21,415,526**	**(288,686)**

The impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 March 2014 is as follows:

31 March 2014	Gross amounts £m	Amount offset £m	Net amount as reported £m
Derivative financial assets	24,807,530	(24,806,500)	1,030
Reverse repurchase agreements	513,873	(187,152)	326,721
Other	88,284	(87,294)	990
Total assets	25,409,687	(25,080,946)	328,741
Derivative financial liabilities	(24,807,530)	24,806,500	(1,030)
Reverse repurchase agreements	(513,873)	187,152	(326,721)
Other	(88,284)	87,294	(990)
Total liabilities	(25,409,687)	25,080,946	(328,741)

All offset amounts are held in the CCP trading assets and CCP trading liabilities within the Group's financial instruments.

As CCPs, the Group's operating companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £288,686.8 million (31 March 2014: £328,741.6 million) to nil. Default funds for derivatives of £5,689.8 million (31 March 2014: £4,018.7 million), repurchase agreements of £1,452.3 million (31 March 2014: £1,497.1 million) and other transactions of £312.6 million (31 March 2014: £377.0 million) are held by the Group. In addition, the Group holds margin of €49,400.6 million for derivatives, €22,249.2 million for repurchase agreements and €2,305.4 million for other transactions, as well as additional variation margin amounts which are not allocated by business line.

22. Cash and cash equivalents

	Group		Company	
	31 December 2014 £m	31 March 2014 £m	31 December 2014 £m	31 March 2014 £m
Cash at bank	**929.7**	683.9	**0.2**	–
Short term deposits	**197.5**	235.3	**–**	–
	1,127.2	919.2	**0.2**	–

Cash and cash equivalents are held with authorised counterparties of a high credit standing, in secured investments at LCH.Clearnet Group companies and at CC&G and unsecured interest bearing current and call accounts, short term deposits and AAA rated money market funds elsewhere in the Group. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

Cash and cash equivalents do not include amounts held by certain subsidiaries on behalf of their clearing members, the use of which is restricted to the operation of the clearers as managers of the clearing and guarantee system (see note 20). Cash and cash equivalents include amounts held by regulated

Notes to the financial statements continued

entities for regulatory and operational purposes. At 31 December 2014, the Group set aside £1,011.3 million (year ended 31 March 2014: £803.6 million) for such purposes, with the amount boosted by cash and cash equivalents set aside at Frank Russell Company, and subject to regular reviews with regulators in the UK, France, Italy and the USA.

23. Assets held for sale

During the period the Group decided to put up for sale a freehold property and related plant and equipment held by a subsidiary undertaking. The assets are currently being marketed and a sale is expected within the next financial year.

	31 December 2014 £m
Property, plant and equipment	**5.3**
	5.3

The carrying amount of the asset is a reasonable approximation of fair value.

There have been no transactions recognised during the period in the statement of comprehensive income relating to the asset classified as held for sale.

24. Trade and other payables

		Group		Company	
	Notes	31 December 2014 £m	31 March 2014 £m	31 December 2014 £m	31 March 2014 £m
Trade payables		**261.7**	43.9	**–**	–
Amounts owed to Group undertakings	34	**–**	–	**163.7**	182.0
Social security and other taxes		**27.1**	17.2	**0.1**	–
Other payables		**153.8**	110.5	**0.7**	1.0
Accruals and deferred income		**358.1**	229.9	**30.5**	21.3
		800.7	401.5	**195.0**	204.3
Current		**727.4**	401.5	**195.0**	204.3
Non-current		**73.3**	–	**–**	–
		800.7	401.5	**195.0**	204.3

25. Borrowings

	Group		Company	
	31 December 2014 £m	31 March 2014 £m	31 December 2014 £m	31 March 2014 £m
Current				
Bank borrowings and trade finance loans	**789.9**	278.7	**127.0**	26.0
	789.9	278.7	**127.0**	26.0
Non-current				
Bonds	**796.7**	796.6	**796.7**	796.6
Preferred securities	**139.8**	148.4	**–**	–
	936.5	945.0	**796.7**	796.6

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

Type	Expiry Date	Notes/Facility £m	Carrying value at 31 December 2014 £m	Interest rate percentage at 31 December 2014 %
Drawn value of Facilities				
Multi–currency revolving credit facility	Jul 2016	250.0	**84.7**	LIBOR + 0.8
Multi–currency revolving credit facility	Jun 2017	600.0	**577.4**	LIBOR + 0.6
Multi–currency revolving credit facility	Jul 2018	450.0	**127.0**	LIBOR + 0.95
Total Bank Facilities		1,300.0	**789.1**	
Notes due July 2016	Jul 2016	250.0	**250.7**	6.125
Notes due October 2019	Oct 2019	250.0	**248.4**	9.125
Notes due November 2021	Nov 2021	300.0	**297.6**	4.75
LCH.Clearnet preferred securities	May 2017	155.8	**139.8**	6.576
Total Bonds		955.8	**936.5**	
Total Committed Facilities		2,255.8	**1,725.6**	

The carrying value of drawn facilities and bonds at 31 March 2014 was £277.8 million and £945.0 million, respectively.

Current borrowings
The Group arranged £600 million of new, committed facilities in June 2014 increasing total committed bank lines to £1,300 million. These facilities were partially utilised at 31 December 2014, with £789.1 million drawn (31 March 2014: £277.8 million).

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. As at 31 December 2014, £0.8 million (31 March 2014: £0.9 million) was the aggregate drawing against these facilities.

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 totaled €400 million at 31 December 2014, for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH.Clearnet SA has a French banking licence and is able to access refinancing at the European Central Bank to support its liquidity position. LCH.Clearnet Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position and, following the announcement by the Bank of England on 5 November 2014, is eligible to apply for participation in the sterling monetary framework to further support the CCP in member or market stress scenarios.

Non–current borrowings
In July 2006, the Company issued a £250 million bond which is unsecured and is due for repayment in July 2016. Interest is paid semi-annually in arrears in January and July each year. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on movements in the Company's credit rating with Moody's which was unchanged throughout the financial period. The bond coupon remained at 6.125 per cent per annum throughout this period.

In June 2009, the Company issued another £250 million bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the Company's credit ratings with Moody's and Standard & Poor's which were unchanged throughout the financial period. The bond coupon remained at 9.125 per cent per annum throughout this period.

In November 2012, the Company issued a further £300 million bond under its euro medium term notes programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75 per cent per annum.

In May 2007, LCH.Clearnet Group Limited issued through Freshwater Finance plc a €200 million of Perpetual Preferred Securities to underpin its capital structure. €20 million of these Securities were subsequently repurchased in the market by LCH.Clearnet Group Limited. The coupon on these Securities is currently a fixed rate of 6.576 per cent per annum and interest is paid annually. In May 2017, this coupon is replaced by a rate of 3 month Euribor plus 2.1 per cent per annum, and is the trigger point for a first call of the Securities.

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

	31 December 2014		31 March 2014	
	Carrying value	Fair value	Carrying value	Fair value
Group	£m	£m	£m	£m
Borrowings				
– within one year	**789.9**	**789.9**	278.7	278.7
– after more than one year	**936.5**	**1,067.8**	945.0	1,066.2
	1,726.4	**1,857.7**	1,223.7	1,344.9

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

	31 December 2014		31 March 2014	
	Carrying value	Fair value	Carrying value	Fair value
Company	£m	£m	£m	£m
Borrowings				
– within one year	**127.0**	**127.0**	26.0	26.0
– after more than one year	**796.7**	**920.0**	796.6	910.3
	923.7	**1,047.0**	822.6	936.3

The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over LIBOR.

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

	31 December 2014			31 March 2014		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**923.7**	**(389.5)**	**534.3**	822.6	(248.5)	574.1
Euro	**140.1**	**389.5**	**529.6**	400.5	248.5	649.0
USD	**662.1**	**–**	**662.1**	–	–	–
Sri Lankan Rupees	**0.5**	**–**	**0.5**	0.6	–	0.6
Total	**1,726.4**	**–**	**1,726.4**	1,223.7	–	1,223.7

Notes to the financial statements continued

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

	31 December 2014			31 March 2014		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**923.7**	**(389.5)**	**534.2**	822.6	(255.5)	567.1
Euro	**–**	**389.5**	**389.5**	–	255.5	255.5
Total	**923.7**	**–**	**923.7**	822.6	–	822.6

26. Analysis of net debt

	Group		Company	
	31 December 2014	31 March 2014	31 December 2014	31 March 2014
	£m	£m	£m	£m
Due within one year				
Cash and cash equivalents	**1,127.2**	919.2	**0.2**	–
Bank borrowings	**(789.9)**	(278.7)	**(127.0)**	(26.0)
Derivative financial assets	**0.4**	–	**–**	–
Derivative financial liabilities	**–**	(3.4)	**–**	–
	337.7	637.1	**(126.8)**	(26.0)
Due after one year				
Bonds	**(796.7)**	(796.6)	**(796.7)**	(796.6)
Preferred securities	**(139.8)**	(148.4)	**–**	–
Derivative financial assets	**22.7**	6.7	**22.7**	6.7
Derivative financial liabilities	**–**	(4.0)	**–**	(4.0)
Total net debt	**(576.1)**	(305.2)	**(900.8)**	(819.9)

Reconciliation of net cash flow to movement in net debt

	Group		Company	
	31 December 2014	31 March 2014	31 December 2014	31 March 2014
	£m	£m	£m	£m
Increase/(decrease) in cash in the period/year	**254.5**	491.7	**0.2**	(0.1)
Bank loan repayments less new drawings	**(519.9)**	(192.1)	**(101.0)**	(26.0)
Change in net debt resulting from cash flows	**(265.4)**	299.6	**(100.8)**	(26.1)
Foreign exchange movements	**(29.4)**	(11.2)	**(0.2)**	(0.5)
Movement on derivative financial assets and liabilities	**23.8**	(1.4)	**20.0**	2.2
Bond valuation adjustment	**0.1**	0.1	**0.1**	0.2
Acquired debt	**–**	(242.4)	**–**	–
Net debt at the start of the period/year	**(305.2)**	(349.9)	**(819.9)**	(795.7)
Net debt at the end of the period/year	**(576.1)**	(305.2)	**(900.8)**	(819.9)

27. Provisions

	Property
Group	£m
1 April 2013	27.3
Utilised during the year	(9.7)
Unwinding of discount on provision	1.8
31 March 2014	19.4
Utilised during the period	**(6.9)**
Unwinding of discount on provision	**0.8**
Acquired during the period	**1.1**
31 December 2014	**14.4**
Current	**0.9**
Non-current	**13.5**
31 December 2014	**14.4**

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between one and 15 years to expiry.

The provision acquired during the year relates to property provisions held by Frank Russell Company.

The Company has no provisions.

28. Share capital and premium

	number of shares	Ordinary shares[1]	Share premium	Total
	millions	£m	£m	£m
At 1 April 2013 and 1 April 2014	271.1	18.8	–	18.8
Issue of shares to the Employee Benefit Trust	**1.5**	**0.1**	**–**	**0.1**
Rights issue	**74.3**	**5.0**	**957.7**	**962.7**
At 31 December 2014	**346.9**	**23.9**	**957.7**	**981.6**

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

The Group announced a 3 for 11 Rights Issue on 22 August 2014 in relation to the acquisition of the Frank Russell Company. The Rights Issue took place on 11 September 2014 and constituted 74,347,813 new ordinary shares of par value 6 $^{79}/_{86}$ p at 1,295p. This generated share premium of £957.7 million. The new ordinary shares issued during the Rights Issue have the same rights as the other shares in issue.

During the period, the Group also issued 1,500,000 ordinary shares at par value to the Employee Benefit Trust in relation to the Group's employee share option scheme.

More information about the shares and rights attached to the ordinary shares is given in the Directors Report on pages 110-112.

29. Net cash flow generated from operations

	Group		Company	
	Period ended 31 Dec 2014	Year ended 31 Mar 2014	Period ended 31 Dec 2014	Year ended 31 Mar 2014
	£m	£m	£m	£m
Profit before taxation	**191.0**	284.3	**166.0**	64.4
Depreciation and amortisation	**136.3**	178.6	**–**	–
Loss on disposal of property, plant and equipment	**–**	0.2	**–**	–
Profit on acquisition/disposal of shares in subsidiary and joint venture	**(0.1)**	(6.9)	**–**	–
Net finance expense/(income)	**51.1**	68.8	**(128.5)**	(79.3)
(Increase)/decrease in inventories	**(5.9)**	0.8	**–**	–
Decrease/(increase) in trade and other receivables	**0.7**	37.2	**(3.7)**	9.7
Decrease/(increase) in trade and other payables	**(14.2)**	(118.6)	**10.4**	(6.7)
Impairment of goodwill and intangibles	**22.0**	–	**–**	–
Decrease in CCP financial assets	**20,425.6**	92,323.0	**–**	–
Increase in CCP clearing business liabilities	**(20,380.1)**	(92,236.4)	**–**	–
Defined benefit pension obligation - contributions in excess of expenses charged	**(3.1)**	(3.3)	**–**	–
Provisions utilised during the period	**(6.9)**	(9.7)	**–**	–
Reduction in obligation arising from acquisition	**(2.4)**	–	**–**	–
Decrease/(increase) in assets held at fair value from operating activities	**5.0**	(9.5)	**–**	–
Share scheme expense	**4.2**	13.4	**–**	–
Foreign exchange losses on operating activities	**(9.8)**	(6.5)	**(13.7)**	(1.1)
Cash generated from/(absorbed by) operations	**413.4**	515.4	**30.5**	(13.0)
Comprising:				
Ongoing operating activities	**481.3**	548.7	**(4.1)**	1.7
Non-recurring items	**(67.9)**	(33.3)	**34.6**	(14.7)
	413.4	515.4	**30.5**	(13.0)

30. Commitments and contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £1.9 million (year ended 31 March 2014: £1.7 million) and £nil (year ended 31 March 2014: nil), respectively.

In the normal course of business, the Group and Company receive legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from the Group or Company, a provision is made representing the expected cost of settling such claims. At 31 December 2014, there are currently no provisions recognised for such legal claims (year ended 31 March 2014: nil).

31 . Business combinations

Acquisitions in the period to 31 December 2014

The Group made two acquisitions during the period.

On 2 December 2014, the Group completed the acquisition of the entire issue share capital of Frank Russell Company ("Russell"). Russell operates in two segments, those being information services through its index business and investment management. The index business is a leading provider of benchmarks to US-focused equity funds and also provides customised and innovative index solutions for clients. The investment management business has $273 billion assets under management at the end of December 2014 and is a leading provider of multi-asset class investment solutions to institutional and retail investors worldwide.

Notes to the financial statements continued

The acquisition of Russell continues the Group's ongoing diversification strategy, builds on the Group's core strengths in intellectual property, and accelerates its geographic expansion, particularly in the USA, the largest global financial services market. Following this acquisition, approximately one-third of the Group's revenues will come from North America.

The consideration paid by the Group at completion was £1,678.5 million. Approximately £962.7 million of the consideration was financed from the net proceeds of a Rights Issue. The Group made a Rights Issue to all its existing shareholders on 11 September 2014. The 3 for 11 Rights Issue of 74,347,813 new shares at 1,295p per new share. The remaining consideration was financed in US dollar by the Group from existing multi-currency bank debt facilities, including a £600 million multi-currency revolving credit facility during the period.

On 8 May 2014, the Group acquired 100 per cent of Bonds.com Group, a US-based electronic trading platform for U.S. corporate and emerging market bonds. The acquisition was made via MTS Markets International Inc (MTS), a subsidiary of the Group. The transaction meets the growing customer and regulatory demand for access to transparent, electronic, cost-effective platforms for the trading of fixed income securities. Going forward, MTS intends to utilise its extensive expertise in fixed income to provide Bonds.com with support and investment to further build its product offering, enabling U.S. fixed income traders to meet their domestic and international needs. The consideration paid by the Group was £8.8 million.

					Contribution post acquisition	
Acquisition	Date acquired	Total investment £m	Goodwill £m	Fair value of assets acquired £m	Revenue £m	Operating profit/(loss) £m
Frank Russell Company	2 December 2014	1,678.5	476.0	1,209.9	89.8	14.4
Bonds.com Group	8 May 2014	8.8	8.7	0.1	1.6	(1.6)
		1,687.3	484.7	1,210.0	91.4	12.8

From the date of acquisition, Russell contributed £89.8 million of revenue and £14.4 million to profit before tax from continuing operations of the Group.

From the date of acquisition, Bonds.com contributed £1.6 million of revenue. It made an operating loss before tax of £1.6 million during the period.

If the acquisitions had occurred on 1 April 2014, estimated Group revenue for the period from continuing operations would have been £863.7 million, with operating profit (before acquisition amortisation and exceptional items) of £133.9 million. These amounts have been calculated using the Group's accounting policies and based on available information.

The fair values of the identifiable assets and liabilities arising out of each acquisition at the relevant acquisition date are as follows:

		Bonds.com		Frank Russell Company		Total	
		Book value	Fair value	Book value	Fair value	Book value	Fair value
	Notes	£m	£m	£m	£m	£m	£m
Non-current assets:							
Intangible assets	14	0.5	0.5	12.8	1,514.0	13.3	1,514.5
Goodwill	14	–	–	7.0	–	7.0	–
Property, plant and equipment	13	0.1	0.1	28.8	28.8	28.9	28.9
Deferred income taxes		–	–	34.6	34.6	34.6	34.6
Investments		–	–	21.0	21.0	21.0	21.0
Other non-current assets		0.1	0.1	17.3	17.3	17.4	17.4
Current assets:							
Cash and cash equivalents	22	0.7	0.7	290.1	290.1	290.8	290.8
Receivables		–	–	183.5	183.5	183.5	183.5
Other current assets		0.2	0.2	29.0	29.0	29.2	29.2
Current liabilities:							
Payables	25	–	–	(56.4)	(56.4)	(56.4)	(56.4)
Other current liabilities		(1.5)	(1.5)	(223.4)	(223.4)	(224.9)	(224.9)
Non-current liabilities:							
Provision		–	–	(15.4)	(15.4)	(15.4)	(15.4)
Deferred tax liabilities		–	–	–	(576.9)	–	(576.9)
Other non-current liabilities		–	–	(36.3)	(36.3)	(36.3)	(36.3)
Net assets		0.1	0.1	292.6	1,209.9	292.7	1,210.0
Non controlling interest		–	–	–	(7.4)	–	(7.4)
Goodwill		–	8.7	–	476.0	–	484.7
		0.1	8.8	292.6	1,678.5	292.7	1,687.3
Satisfied by:							
Cash and capital raise			8.8		1,678.5		1,687.3
Total investment			8.8		1,678.5		1,687.3

The fair values are preliminary and will be finalised within twelve months of the acquisition date.

None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value adjustments include:

Frank Russell Company
The additional £1,508.0 million of intangible assets arising on consolidation represents £30.7 million relating to various technologies, £799.7 million relating to customer relations and £677.6 million relating to trade names. Deferred tax liability on these intangible assets was £576.9 million. The fair values of these purchased intangible assets are being amortised over their remaining useful life from the date of completion.

The goodwill of £476.0 million arising on consolidation represents the growth of future expected income streams from Russell's customer base and the value of expected synergies arising from the acquisition.

Bonds.com Group
The Group is currently undertaking a full allocation exercise of the purchased intangibles of Bonds.com, until that is complete the excess of consideration over net assets acquired of £8.7 million is held as goodwill.

Acquisitions in the year to 31 March 2014

The Group made three acquisitions during the year ended 31 March 2014.

On 5 April 2013, the Group and TMX Group Limited completed a transaction to combine their fixed income businesses into a new business, FTSE TMX Global Debt Capital Markets Limited. The transaction resulted in the Group acquiring a 75 per cent stake in FTSE TMX Global Debt Capital Markets Limited for a total consideration of £78.2 million. The non-controlling interest (NCI) has an option to sell the remaining 25 per cent interest to the Group after six years or earlier in other limited scenarios. The Group recognised £27.4 million in goodwill and £74.1 million of other intangible assets.

On 1 May 2013, the Group completed the acquisition of a further 55.5 per cent stake in LCH.Clearnet resulting in a majority stake of 57.8 per cent in LCH.Clearnet. The total investment of £470.3 million includes deferred consideration of £20.0 million, payable on 30 September 2017 subject to acceleration or delay in certain limited circumstances. The investment is inclusive of the Group's participation in the capital raise of LCH.Clearnet issued share capital of £158.2 million. The Group recognised £123.8 million in goodwill and £245.2 million of other intangible assets.

On 23 September 2013, the Group acquired a 70 per cent interest in EuroTLX SIM S.p.A. for a consideration of £26.1 million and £0.9 million in deferred consideration. The NCI has an option to sell the remaining 30 per cent interest to the Group. The value of the option is dependent on achieving growth and cost synergies in the next financial year. The Group recognised £15.6 million in goodwill and £10.9 million of other intangible assets.

There were no material changes to the preliminary fair values.

32. Leases
Operating lease commitments – Group as lessee
The Group leases various office properties and equipment under non-cancellable operating leases. The total future minimum lease payments under non-cancellable operating leases are due as follows:

	Property		Equipment	
	31 December 2014	31 March 2014	31 December 2014	31 March 2014
Leases expiring in:	£m	£m	£m	£m
Less than one year	**46.0**	30.8	**0.3**	1.1
More than one year but less than five years	**145.1**	102.4	**0.1**	0.6
More than five years	**120.0**	93.0	**–**	–
	311.1	226.2	**0.4**	1.7

Operating lease payments of £20.6 million (31 March 2014: £34.1 million) were charged to the income statement in the year in relation to property and £0.7 million (31 March 2014: £1.9 million) in the year in relation to equipment.

Operating lease commitments – Group as lessor
The total future minimum lease payments expected to be received under non-cancellable operating leases for property where the Group is lessor are due as follows:

	Property	
	31 December 2014	31 March 2014
Leases expiring in:	£m	£m
Less than one year	**5.7**	5.5
More than one year but less than five years	**19.5**	21.2
More than five years	**4.1**	7.0
	29.3	33.7

Notes to the financial statements continued

Finance lease commitments – Group as lessee

The Group has finance lease contracts for certain property rentals and software licenses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are, as follows:

	31 December 2014	
	Minimum payments	Present value of payments
Leases expiring in:	£m	£m
Less than one year	**6.1**	5.8
More than one year but less than five years	**5.3**	5.2
Total minimum lease payments	**11.4**	11.0
Less amounts representing finance charges	**(0.4)**	–
Present value of minimum lease payments	**11.0**	11.0

The Group had no lease commitments at 31 March 2014.
The Company has no lease commitments.

Finance lease commitments – Group as lessor

The Group has finance lease contracts for certain property rentals and software licenses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31 December 2014	
	Minimum payments	Present value of payments
Leases expiring in:	£m	£m
Less than one year	**0.7**	0.6
More than one year but less than five years	**2.3**	2.1
Total minimum lease payments	**3.0**	2.7
Less amounts representing finance charges	**(0.3)**	–
Present value of minimum lease payments	**2.7**	2.7

The Group had no lease commitments at 31 March 2014.
The Company has no lease commitments.

33. Share Schemes

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2014 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares – the latter element is not applicable to executive directors. Vesting of these awards is dependent upon the Company's total shareholder return performance and adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 80-109.

The SAYE scheme and International Sharesave Plan provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20 per cent below fair market value. Share awards were granted at nil cost to employees and other share options were granted at fair market value or above.

All unvested awards as at 8 September 2014, were adjusted by the Remuneration Committee, using the Theoretical Ex Rights Price formula, to take account of the deprecatory effect of the Rights Issue and to preserve the value of the awards.

The Group has an ESOP discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end, 595,179 (year ended 31 March 2014: 642,936) shares were held by the trust, funded in part by an interest free loan from the Group and in part by the issue of 1.5 million shares.

A total of 606,247 shares awards were issued to staff from the Rights Issue during the period. These Rights Shares are included within the numbers granted during the period in the table below.

The Company has no employees but, in accordance with IFRS 10 "Consolidated financial statements", has the obligation for the assets, liabilities, income and costs of the ESOP trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

	Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
31 March 2013	383,115	6.16	685,070	6.79	6,492,473	–
Granted	–	–	214,485	12.64	2,231,649	–
Exercised	(235,139)	7.12	(3,501)	6.43	(1,902,989)	0.70
Lapsed/forfeited	(9,943)	9.27	(29,171)	6.80	(428,407)	0.30
31 March 2014	138,033	9.25	866,883	8.25	6,392,726	0.40
Granted	7,789	8.36	394,839	13.12	2,360,574	0.04
Exercised	(46,560)	8.83	(5,568)	6.23	(1,578,435)	0.79
Lapsed/forfeited	–	–	(96,163)	6.23	(300,971)	0.79
31 December 2014	**99,262**	**8.36**	**1,159,991**	**9.44**	**6,873,894**	**0.17**
Exercisable at:						
31 December 2014	**44,119**	**7.61**	**–**	**–**	**9,286**	**8.94**
31 March 2014	32,778	7.73	–	–	–	–

The weighted average share price of London Stock Exchange Group plc shares during the period was £19.69 (year ended 31 March 2014: £16.08).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	31 December 2014		31 March 2014	
	Number outstanding	Weighted average remaining contractual life years	Number outstanding	Weighted average remaining contractual life years
Share options				
Less than £7	**9,128**	**–**	–	–
Between £7 and £8	**24,168**	**–**	10,506	–
Between £8 and £9	**65,966**	**0.3**	22,272	–
More than £9	**–**	**–**	105,255	0.5
SAYE				
Less than £7	**424,262**	**0.1**	439,487	0.5
Between £7 and £8	**205,433**	**0.2**	–	–
Between £8 and £9	**–**	**–**	212,911	0.5
More than £9	**530,296**	**1.1**	214,485	0.7
LTIP				
Nil	**6,739,835**	**1.5**	6,129,253	1.3
Between £8 and £9	**134,059**	**–**	263,473	–
Total	**8,133,147**	**1.4**	7,397,642	1.3

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

	Performance Shares		Matching Shares		Restricted Share Award			Share Save Plan
	27 August 2014	30 September 2014	27 August 2014	30 September 2014	Tranche 1 27 August 2014	Tranche 2 27 August 2014	Tranche 3 27 August 2014	11 July 2014
Grant date share price	£20.61	£18.68	£20.61	£18.68	£20.61	£20.61	£20.61	£19.15
Expected life	3 years	3.01 years	3 years	3.01 years	0.90 years	1.90 years	0.76 years	3.14 years
Exercise price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	£15.38
Dividend yield	1.5%	1.7%	1.5%	1.7%	1.5%	1.5%	1.5%	1.6%
Risk-free interest rate	1.3%	1.3%	1.3%	1.3%	0.6%	0.8%	0.6%	1.5%
Volatility	27%	26%	27%	26%	27%	27%	27%	29%
Fair value	–	–	–	–	£20.51	£20.20	£20.51	£5.39
Fair value TSR	£6.39	£5.44	£6.39	£5.44	n.a.	n.a.	n.a.	n.a.
Fair value EPS	£19.70	£17.75	£19.70	£17.75	n.a.	n.a.	n.a.	n.a.

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

34. Transactions with Related Parties

Key management compensation

Compensation for Directors of the Company and key personnel who have authority for planning, directing and controlling the Group:

	Period ended 31 December 2014	Year ended 31 March 2014
	£m	£m
Salaries and other short term benefits	**9.7**	9.9
Pensions	**0.8**	0.9
Share based payments	**7.9**	10.7
	18.4	21.5

Inter-company transactions with subsidiary undertakings

The Company has loans with some subsidiary undertakings. Details as at 31 December 2014 are shown in the table below:

	Amount in millions due (owed to)/from as at				Interest in millions (charge) /credit	
Loan counterparty	31 December 2014	31 March 2014	Term	Interest rate as at 31 Dec 2014	Period ended 31 December 2014	Year ended 31 March 2014
London Stock Exchange plc	**£(158.0)m**	£(181.1)m	25 years from May 2006 with five equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	**£(3.4)m**	£(5.0)m
London Stock Exchange Employee Benefit Trust	**£13.2m**	£13.2m	Repayable on demand.	Non-interest bearing	**nil**	nil
London Stock Exchange Group Holdings (Italy) Limited	**€201.2m**	€(9.6)m	Fifth anniversary of the initial utilisation date which was April 2013.	LIBOR plus 1.5% per annum	**€1.0m**	€0.1m
London Stock Exchange Group Holdings Limited	**£416.3m**	£474.9m	Tenth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	**£16.0m**	£23.3m
Monte Titoli S.p.A.	**nil**	nil	Six months from initial utilisation date which was January 2013.	EURIBOR plus 1.2% per annum	**nil**	€(0.2)m
Societa Mercato Titoli di Stato S.p.A.	**nil**	nil	Six months from initial utilisation date which was 1 August 2013.	EURIBOR plus 1.2% per annum	**nil**	€(0.3)m
LSE Reg Holdings Limited	**€2.7m**	€0.2m	Fifth anniversary of the initial utilisation date which was December 2013.	EURIBOR plus 1.2% per annum	**nil**	nil
LSE Reg Holdings Limited	**£0.4m**	£1.3m	Fifth anniversary of the initial utilisation date which was December 2013.	LIBOR plus 1.2% per annum	**nil**	nil
London Stock Exchange (C) Limited	**€55.7m**	€49.8m	Fifth anniversary of the initial utilisation date which was April 2012.	EURIBOR plus 1.5% per annum	**€0.6m**	€0.8m
London Stock Exchange (C) Limited	**£8.6m**	£2.8m	Fifth anniversary of the initial utilisation date which was April 2012.	LIBOR plus 1.5% per annum	**£0.1m**	nil
London Stock Exchange Group Holdings (Luxembourg) Ltd	**$5.8m**	nil	Fifth anniversary of the initial utilisation date which was December 2014.	LIBOR plus 1.5% per annum	**nil**	nil

During the period, the Company charged in respect of employee share schemes £1.5 million (year ended 31 March 2014: £5.3 million) to London Stock Exchange plc, £0.1 million (year ended 31 March 2014: £0.2 million) to London Stock Exchange Group Holdings Inc, £0.1 million (year ended 31 March 2014: £0.1 million) to London Stock Exchange (OV) Limited, £0.1 million (year ended 31 March 2014: nil) to Turquoise Global Holdings Limited, nil (year ended 31 March 2014: £0.1 million) to UnaVista Limited, £0.7 million (year ended 31 March 2014: £2.7 million) to London Stock Exchange Group Holdings (Italy) Ltd, £0.2 million (year ended 31 March 2014: £1.0 million) to Millennium Information, £0.2 million (year ended 31 March 2014: £2.0 million) to FTSE Group and £1.4 million (year ended 31 March 2014: £0.2 million) to LCH.Clearnet Group. The Company received dividends of £156.0 million (year ended 31 March 2014: £118.2 million) and nil (year ended 31 March 2014: €60.0 million), respectively, from its subsidiaries London Stock Exchange plc and London Stock Exchange Group Holdings (Italy) Limited.

35. Other Statutory Information

On 12 June 2014, the Group appointed Ernst & Young LLP as its external auditor, replacing PricewaterhouseCoopers LLP.

Auditors' remuneration payable to Ernst and Young LLP and its associates for the current period and to PricewaterhouseCoopers LLP and its associates for the prior year comprise the following:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Audit of parent and consolidated financial statements	**0.7**	0.5
Audit of subsidiary companies	**1.0**	1.1
Audit related assurance services	**0.3**	0.4
Other non-audit services:		
– Taxation	**0.1**	0.6
– Corporate finance	**–**	0.2
– Other assurance services	**0.1**	–
Total expenses	**2.2**	2.8

Excluded from the table above, during the period ended 31 December 2014, PricewaterhouseCoopers LLP and its associates charged £0.9 million in relation to their audits of material subsidiaries of the Group, and £1.5 million in relation to non-audit services. During the year ended 31 March 2014, Ernst & Young LLP and its associates charged £0.6 million in relation to their audits of material subsidiaries of the Group and £0.6 million in relation to non-audit services.

Further details of the services provided by Ernst and Young LLP are given in the Report of the Audit Committee on pages 74-77.

Directors' emoluments comprise the following:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Salary and fees	**2.5**	3.4
Performance bonus	**2.1**	2.7
Gains made on share awards	**5.2**	4.8
Benefits	**0.3**	0.4
	10.1	11.3
Contributions to defined contribution schemes	**0.5**	0.7
	10.6	12.0

During the period, one Director (year ended 31 March 2014: one) had retirement benefits accruing under defined contribution schemes and one Director (year ended 31 March 2014: one) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Rmuneration Report on pages 80-109.

36. Events after the reporting period

On 5 February 2015, the Group announced the completion of the comprehensive review focused principally on assessing the strategic fit of Russell Investment Management with the Group's long term strategy. After careful consideration, the conclusion of the comprehensive review is to explore a sale of this business in its entirety. The Group has already received a number of expressions of interest in a potential acquisition of Russell Investment Management reflecting the high quality of its business and market leading positions. A sale process of the business has now commenced.

On 4 March 2015, the Board approved the allotment and issue of 225,476 ordinary shares of 6 $^{79}/_{86}$p each in the Company to satisfy options granted under the Company's Save-As-You-Earn and International Sharesave Plans.

Independent Auditors' Report to the members of London Stock Exchange Group plc

Report on the financial statements

Our opinion

In our opinion:

- The financial statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2014 and of the Group's profit and of the Group's and Parent Company's cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and Parent Company financial statements (the "financial statements"), which are prepared by London Stock Exchange Group ("LSEG") plc, comprise:

- the Group and Parent Company balance sheet as at 31 March 2014;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group and Parent Company statements of changes in equity and statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts ("Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgment, we determined overall materiality for the Group financial statements as a whole to be £22.1 million, being five per cent of profit before tax, acquisition amortisation and non-recurring items. We chose this benchmark because we believe it is a reasonable representation of the underlying performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

When establishing the scope of our audit we considered the internal organisation of the Group and determined a scope of audit work that optimised the coverage of risks, balances and transactions.

We scoped our audit based on the Group's legal entity structure. Our work focused primarily on those entities which in our view required an audit of their complete financial information due to their size and risk characteristics. This work included an audit of those entities that comprise all, or substantially all, of the Capital Markets, Post Trade Services, Information Services and LCH.Clearnet businesses which together constituted 97 per cent of the Group profit before tax, acquisition amortisation and non-recurring items. In addition we carried out specific audit procedures on certain financial statement line items and performed work on the consolidation process. This gave us the evidence we needed for our opinion on the Group financial statements as a whole.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the legal entities by us, by component auditors from another PwC network firm and one other firm operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those legal entities to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making judgments and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 67-68.

Area of focus	How the scope of our audit addressed the area of focus
Goodwill impairment assessment We focused on this area because the determination of whether or not the carrying value of goodwill is supportable involved significant judgements about the future performance of the business, as set out in note 13 to the Group financial statements.	We evaluated the Directors' forecast of future cash flows including comparing them to the latest Board approved budgets and considering past performance against budget. We also tested the integrity of the model and assessed how both internal and external drivers of performance were incorporated into the projections. In particular we challenged: — The Director's key assumptions for short and long term revenue growth rates by comparing them to economic and industry forecasts; and — The discount rate used by independently recalculating the cost of capital. To direct our testing to the areas of highest risk we performed sensitivity analysis, including assessing the impact of reasonably possible changes in discount rates, revenues and operating margins on the goodwill carrying value. We also evaluated the adequacy of disclosures made in note 13 to the Group financial statements.
Consolidation of LCH.Clearnet We focused on this area because the governance and management of LCH.Clearnet is subject to complex shareholder agreements and therefore judgement is required to determine whether the Group exercises control over LCH.Clearnet.	We read the shareholder agreements and assessed the nature of the interactions between LSEG, LCH.Clearnet and other non-controlling interests, including Board balance, rights of veto, and rights to appoint and remove Directors. We also evaluated how the Group demonstrated its ability to exercise control over LCH.Clearnet in practice, for example in connection with key governance decisions such as the setting of strategy, appointment of the CEO, approval of remuneration of senior management and changes in material contracts.

Area of focus	How the scope of our audit addressed the area of focus
Purchase Price Allocation on acquisition of LCH.Clearnet We focused on this area because judgement is required to allocate the price paid between the different intangible assets acquired.	We tested the Directors' purchase price allocation exercise including evaluating the reasonableness of the assumptions used, testing the input data and re-performing the model calculations. As part of this work we: — Met with the third party valuers who carried out the Directors' purchase price allocation exercise to understand the methodology used and also their view on the key sensitivities and judgments taken; — Assessed the methodology used including considering valuation best practice relevant to the LCH.Clearnet exercise; and — Challenged the assumptions used, including revenue growth, operating margin, customer attrition and discount rates, by comparing them with historical performance and considering how external performance drivers were incorporated into the projections. We also evaluated the appropriateness of the disclosures made in note 28 to the Group financial statements.
Central Counterparty Clearing ('CCP') assets and liabilities We focused on this area because of the magnitude of the balance in the overall context of the Group. Specifically we focused on the completeness, valuation and existence of the CCP assets and liabilities recognised on the Group balance sheet.	In respect of the Italian clearing business, we tested the IT general computer controls and automated controls for clearing systems, as well as the manual controls over processing activities. We also tested the reconciliations between the operational systems and the financial records and obtained external confirmations for a sample of CCP balances at the year end and all cash balances in relation to default funds. In respect of the UK clearing business, we tested the IT general computer controls and automated controls for clearing systems, as well as the manual controls over processing activities. We also tested the reconciliations between the operational systems and the financial records.

Independent Auditors’ Report to the members of London Stock Exchange Group plc continued

Area of focus	How the scope of our audit addressed the area of focus
Risk of fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition as a result of the potential for management bias in order to achieve planned results. We focused on the accuracy of Capital Markets secondary revenue and the occurrence of Information Services revenue because of the higher risk posed by complex tariff structures.	For the Group’s main Capital Markets secondary businesses we tested the accuracy of the capital markets secondary revenue by rebuilding the pricing model and independently recalculating the total revenue using the base trade data. Additional testing of revenue included: — Testing of the IT general controls for revenue systems and agreeing output from revenue systems to financial ledgers — Tracing full populations of revenue postings through to cash or receivables and investigating unusual items — Testing compliance with complex contractual agreements for a sample of Information Services revenue postings
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this and hence it is an area that receives heightened focus on every audit conducted under these auditing standards.	We tested journal entries, including targeting our testing at higher risk journals by stratifying the population by risk characteristics. We also tested key reconciliations for bank, intercompany and other balance sheet accounts. We assessed the overall control environment of the Group and interviewed senior management, Group’s legal, risk, compliance and internal audit functions. We understood the key trigger points for incentive payments to senior management and examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by Directors that may represent a risk of material misstatement due to fraud.

Going Concern
Under the Listing Rules we are required to review the Directors’ statement, set out on page 101, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors’ statement, the Directors have concluded that it is appropriate to prepare the Group’s and Parent Company’s financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors’ use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group’s and the Parent Company’s ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion:

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 101 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On pages 67 and 68, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 101, the Directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Alison Morris
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 May 2014

Consolidated income statement

Year ended 31 March 2014	Notes	2014 Before acquisition amortisation and non-recurring items £m	2014 Acquisition amortisation and non-recurring items £m	2014 Total £m	2013 Before acquisition amortisation and non-recurring items £m	2013 Acquisition amortisation and non-recurring items £m	2013 Total £m
Revenue	4	**1,088.3**	**–**	**1,088.3**	726.4	–	726.4
Net treasury income through CCP business		**109.8**	**–**	**109.8**	116.7	–	116.7
Other income		**11.5**	**–**	**11.5**	9.8	18.3	28.1
Total income	4	**1,209.6**	**–**	**1,209.6**	852.9	18.3	871.2
Expenses							
Operating expenses	5	**(698.4)**	**(158.1)**	**(856.5)**	(422.7)	(100.1)	(522.8)
Operating profit/(loss)	7	**511.2**	**(158.1)**	**353.1**	430.2	(81.8)	348.4
Finance income		**5.5**	**–**	**5.5**	2.7	–	2.7
Finance expense		**(74.3)**	**–**	**(74.3)**	(52.2)	–	(52.2)
Net finance expense	8	**(68.8)**	**–**	**(68.8)**	(49.5)	–	(49.5)
Profit/(loss) before taxation		**442.4**	**(158.1)**	**284.3**	380.7	(81.8)	298.9
Taxation	9	**(124.7)**	**23.1**	**(101.6)**	(95.7)	12.3	(83.4)
Profit/(loss) for the financial year		**317.7**	**(135.0)**	**182.7**	285.0	(69.5)	215.5
Profit/(loss) attributable to non-controlling interests		**30.7**	**(18.1)**	**12.6**	1.0	(2.5)	(1.5)
Profit/(loss) attributable to equity holders		**287.0**	**(116.9)**	**170.1**	284.0	(67.0)	217.0
		317.7	**(135.0)**	**182.7**	285.0	(69.5)	215.5
Basic earnings per share	10			**63.0p**			80.4p
Diluted earnings per share	10			**61.4p**			79.0p
Adjusted basic earnings per share	10			**107.1p**			105.3p
Adjusted diluted earnings per share	10			**104.4p**			103.4p
Dividend per share in respect of the financial period:	11						
Dividend per share paid during the year				**29.9p**			28.7p
Dividend per share declared for the year				**30.8p**			29.5p

Consolidated statement of comprehensive income

Year ended 31 March 2014	Notes	2014 £m	2013 £m
Profit for the financial year		**182.7**	215.5
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss			
Defined benefit pension scheme actuarial loss	16	**(1.3)**	(6.9)
Cash flow hedge		**(0.3)**	0.3
Net investment hedge		**(16.4)**	(1.9)
Change in value of available for sale financial assets		**6.1**	1.2
Exchange (loss)/gain on translation of foreign operations		**(43.7)**	19.2
Tax related to items not recognised in income statement	9	**1.5**	3.9
Other comprehensive (loss)/income net of tax		**(54.1)**	15.8
Total comprehensive income for the financial year		**128.6**	231.3
Attributable to non-controlling interests		**5.2**	(0.6)
Attributable to equity holders		**123.4**	231.9
Total comprehensive income for the financial year		**128.6**	231.3

Balance sheets

31 March 2014	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Assets					
Non-current assets					
Property, plant and equipment	12	**93.3**	80.1	**–**	–
Intangible assets	13	**2,476.0**	2,049.3	**–**	–
Investments in associates		**0.3**	0.6	**–**	–
Investments in subsidiary undertakings	14	**–**	–	**3,858.9**	3,779.1
Deferred tax assets	15	**42.2**	19.2	**–**	–
Derivative financial instruments	18	**6.7**	4.3	**6.7**	4.0
Available for sale investments	18	**4.8**	–	**–**	–
Retirement benefit asset	16	**14.5**	–	**–**	–
Other non-current assets		**38.0**	12.0	**–**	–
		2,675.8	2,165.5	**3,865.6**	3,783.1
Current assets					
Inventories		**0.5**	1.5	**–**	–
Trade and other receivables	17	**250.5**	185.7	**534.1**	579.4
CCP financial assets		**470,497.7**	137,620.2	**–**	–
CCP cash and cash equivalents (restricted)		**33,278.5**	8,476.2	**–**	–
CCP clearing business assets	18	**503,776.2**	146,096.4	**–**	–
Current tax		**22.3**	24.6	**0.1**	–
Assets held at fair value	18	**18.7**	6.1	**–**	–
Cash and cash equivalents	20	**919.2**	446.2	**–**	0.1
		504,987.4	146,760.5	**534.2**	579.5
Total assets		**507,663.2**	148,926.0	**4,399.8**	4,362.6
Liabilities					
Current liabilities					
Trade and other payables	21	**401.5**	230.0	**204.3**	160.9
Derivative financial instruments	18	**3.4**	0.1	**–**	–
CCP clearing business liabilities	18	**503,747.4**	146,088.1	**–**	–
Current tax		**14.8**	43.2	**–**	–
Borrowings	22	**278.7**	0.4	**26.0**	–
Provisions	24	**2.8**	1.1	**–**	–
		504,448.6	146,362.9	**230.3**	160.9
Non-current liabilities					
Borrowings	22	**945.0**	796.4	**796.6**	796.4
Other non-current payables	21	**–**	3.4	**–**	–
Derivative financial instruments	18	**4.0**	3.5	**4.0**	3.5
Deferred tax liabilities	15	**176.0**	109.0	**–**	–
Retirement benefit obligation	16	**36.9**	25.6	**–**	–
Other non-current liabilities		**79.2**	–	**–**	–
Provisions	24	**16.6**	26.2	**–**	–
		1,257.7	964.1	**800.6**	799.9
Total liabilities		**505,706.3**	147,327.0	**1,030.9**	960.8
Net assets		**1,956.9**	1,599.0	**3,368.9**	3,401.8
Equity					
Capital and reserves attributable to the Company's equity holders					
Ordinary share capital	25	**18.8**	18.8	**18.8**	18.8
Retained (losses)/earnings		**(79.0)**	(126.8)	**1,531.6**	1,564.5
Other reserves		**1,587.0**	1,638.5	**1,818.5**	1,818.5
Total shareholder funds		**1,526.8**	1,530.5	**3,368.9**	3,401.8
Non-controlling interests		**430.1**	68.5	**–**	–
Total equity		**1,956.9**	1,599.0	**3,368.9**	3,401.8

The financial statements on pages 106-141 were approved by the Board on 15 May 2014 and signed on its behalf by:

Xavier Rolet
Chief Executive

David Warren
Chief Financial Officer

Cash flow statements

Year ended 31 March 2014		Group		Company	
		2014	2013	2014	2013
	Notes	£m	£m	£m	£m
Cash flow from operating activities					
Cash generated from/(absorbed by) operations	26	**515.4**	487.5	**(13.0)**	0.1
Interest received		**4.6**	2.4	**23.5**	47.1
Interest paid		**(71.7)**	(43.2)	**(62.6)**	(51.9)
Corporation tax paid		**(99.8)**	(64.9)	**–**	24.9
Withholding tax paid		**(23.2)**	(39.3)	**–**	–
Net cash inflow/(outflow) from operating activities		**325.3**	342.5	**(52.1)**	20.2
Cash flow from investing activities					
Purchase of property, plant and equipment		**(23.6)**	(18.2)	**–**	–
Purchase of intangible assets		**(67.3)**	(28.2)	**–**	–
Investment in other acquisition		**–**	(11.2)	**–**	–
Investment in subsidiaries		**(376.5)**	(3.1)	**–**	–
Net cash inflow from acquisitions		**432.0**	1.1	**–**	–
Dividends received		**0.3**	0.2	**118.2**	160.7
Proceeds from sale of investment in associate		**7.1**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(28.0)**	(59.4)	**118.2**	160.7
Cash flow from financing activities					
Capital Raise		**114.4**	–	**–**	–
Dividends paid to shareholders		**(80.8)**	(77.4)	**(80.8)**	(77.4)
Dividends paid to non-controlling interests		**(2.9)**	(4.3)	**–**	–
Cost of capital raise		**(2.7)**	–	**–**	–
Loans from/(to) ESOP trust		**–**	–	**–**	(13.9)
Loans to subsidiary companies		**–**	–	**16.6**	(139.4)
Purchase of own shares by ESOP Trust		**(28.0)**	(13.9)	**(28.0)**	
Proceeds from own shares on exercise of employee share options		**2.3**	0.3	**–**	0.3
Proceeds from borrowings		**283.5**	297.6	**26.0**	297.6
Repayments of borrowings		**(91.4)**	(257.8)	**–**	(247.8)
Net cash inflow/(outflow) from financing activities		**194.4**	(55.5)	**(66.2)**	(180.6)
Increase/(decrease) in cash and cash equivalents		**491.7**	227.6	**(0.1)**	0.3
Cash and cash equivalents at beginning of year		**446.2**	216.0	**0.1**	0.2
Exchange (losses)/gains on cash and cash equivalents		**(18.7)**	2.6	**–**	(0.4)
Cash and cash equivalents at end of year		**919.2**	446.2	**–**	0.1

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation. Interest on CCP balances are received net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow for the Group, and is shown separately in the cash flow statement.

Statements of changes in equity

Group	Attributable to equity holders					
	Ordinary share capital	Retained loss	Other reserves	Total attributable to equity holders	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m
31 March 2012	**18.8**	**(262.9)**	**1,620.9**	**1,376.8**	**72.9**	**1,449.7**
Profit/(loss) for the year	–	217.0	–	217.0	(1.5)	215.5
Other comprehensive income for the year	–	(2.7)	17.6	14.9	0.9	15.8
Final dividend relating to the year ended 31 March 2012	–	(51.2)	–	(51.2)	–	(51.2)
Interim dividend relating to the year ended 31 March 2013	–	(26.2)	–	(26.2)	–	(26.2)
Dividend payments to non-controlling interests	–	–	–	–	(3.8)	(3.8)
Employee share scheme expenses	–	(0.8)	–	(0.8)	–	(0.8)
31 March 2013	**18.8**	**(126.8)**	**1,638.5**	**1,530.5**	**68.5**	**1,599.0**
Profit for the year	**–**	**170.1**	**–**	**170.1**	**12.6**	**182.7**
Other comprehensive income for the year	**–**	**4.8**	**(51.5)**	**(46.7)**	**(7.4)**	**(54.1)**
Final dividend relating to the year ended 31 March 2013	**–**	**(53.5)**	**–**	**(53.5)**	**–**	**(53.5)**
Interim dividend relating to the year ended 31 March 2014	**–**	**(27.3)**	**–**	**(27.3)**	**–**	**(27.3)**
Dividend payments to non-controlling interests	**–**	**–**	**–**	**–**	**(5.4)**	**(5.4)**
Employee share scheme expenses	**–**	**(13.0)**	**–**	**(13.0)**	**–**	**(13.0)**
Purchase of non-controlling interest	**–**	**(33.3)**	**–**	**(33.3)**	**361.8**	**328.5**
31 March 2014	**18.8**	**(79.0)**	**1,587.0**	**1,526.8**	**430.1**	**1,956.9**

Other reserves comprise the following:

Capital redemption reserve of £514.2 million (2013: £514.2 million), a non-distributable reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512.5) million (2013: £(512.5) million), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £318.5 million (2013: £353.3 million), reflecting the impact of foreign currency changes on the translation of foreign operations.

Merger reserve of £1,304.3 million (2013: £1,304.3 million), arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary undertakings.

Hedging reserve of £(37.5) million (2013: £(20.8) million), representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

Company	Attributable to equity holders				
			Other reserves		
	Ordinary share capital	Retained earnings	Capital redemption reserve	Merger reserve	Total attributable to equity holders
	£m	£m	£m	£m	£m
31 March 2012	**18.8**	**1,463.3**	**514.2**	**1,304.3**	**3,300.6**
Profit for the year	–	176.2	–	–	176.2
Final dividend relating to the year ended 31 March 2012	–	(51.2)	–	–	(51.2)
Interim dividend relating to the year ended 31 March 2013	–	(26.2)	–	–	(26.2)
Employee share scheme expenses	–	2.4	–	–	2.4
31 March 2013	**18.8**	**1,564.5**	**514.2**	**1,304.3**	**3,401.8**
Profit for the year	**–**	**63.2**	**–**	**–**	**63.2**
Final dividend relating to the year ended 31 March 2013	**–**	**(53.5)**	**–**	**–**	**(53.5)**
Interim dividend relating to the year ended 31 March 2014	**–**	**(27.3)**	**–**	**–**	**(27.3)**
Employee share scheme expenses	**–**	**(15.3)**	**–**	**–**	**(15.3)**
31 March 2014	**18.8**	**1,531.6**	**514.2**	**1,304.3**	**3,368.9**

Notes to the financial statements

1. Basis of preparation and accounting policies

The Company's and Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before amortisation of purchased intangible assets and non-recurring items. This is the profit measure used to calculate adjusted earnings per share and is considered to be the most appropriate as it best reflects the Group's underlying, recurring cash earnings and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition amortisation and non-recurring items is reconciled to profit before taxation on the face of the income statement.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's income for the year is disclosed within the statement of changes in equity.

Investments in associates are accounted for under the equity method. The Group's investments in associates are initially recognised at cost, and its share of profits or losses after tax from associates is included in the consolidated income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the Group's balance sheet. The financial statements of associates are used by the Group to apply the equity method, under which the Group's income statement reflects the Group's share of the results of operations of the associates. A company is considered an associate where the Group has a significant influence.

The acquisition of subsidiaries is accounted for using the purchase 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. 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.

Investments in subsidiaries shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

Recent accounting developments

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC and have been adopted in these financial statements:

Amendments to IFRS 1, 'First time adoption' – exemption for severe hyperinflation and removal of fixed dates;
Amendment to IFRS 7, 'Financial instruments: Disclosures' – disclosures on transfers of financial assets and offsetting financial assets and liabilities;
IAS19R, 'Amendments to IAS 19 Employee Benefits';
IFRS 13, 'Fair value measurement';
IAS 1, 'Presentation of Financial Statements' – Presentation of Items of Other Comprehensive Income; and
IFRS various Annual improvements 2012 and 2013.

The adoption of these standards did not have a material impact on these consolidated financial statements.

The restatement relating to IAS19R resulted in reclassification of net expenses with an immaterial impact to profit for the financial period.

The following standards and interpretations were issued by the IASB and IFRIC since the last Annual Report, but have not been adopted either because they were not endorsed by the European Union (EU) at 31 March 2014 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the Group does not expect any of these changes to have a material impact on the results or the net assets of the Group:

International accounting standards and interpretations	Effective date
IFRS 10, 'Consolidated financial statements' and amendments	1 January 2013
IFRS 11, 'Joint arrangements'	1 January 2013
IFRS 12, 'Disclosure of interests in other entities' and amendments	1 January 2013
IAS 27 (Revised 2011), 'Separate financial statements' and amendments	1 January 2013
IAS 28 (Revised 2011), 'Associates and joint ventures'	1 January 2013
Amendment to IAS 32, 'Financial instruments: Presentation'	1 January 2014
Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures	1 January 2014
Amendment to IAS 39 on novation of derivatives and hedge accounting	1 January 2014
IFRIC 21, 'Levies'	1 January 2014
Amendments to IAS 19, 'Employee Benefits' on defined benefit plans	1 July 2014
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 9, 'Financial instruments' and amendments	1 January 2018

Accounting policies

Income Statement

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is recognised in the period when the service or supply is provided. The sources of revenue are:

a) Maintenance contracts, membership and other fees – revenue is recognised on a straight-line basis over the period to which the fee relates;

b) Admission fees – revenue is recognised at the time of admission to trading;

c) Clearing fee income and rebates, together with other fee income and net settlement fees, are recognised on a transaction by transaction basis in accordance with the Group's fee scales;

d) Royalties – revenue is recognised at the date at which they are earned or measurable with certainty;

e) IT products – where there is no significant service obligation the revenue is recognised upon delivery and acceptance of the software or hardware by the customer, in other circumstances revenue is recognised on provision of contracted services;

f) IT solutions – where software is sold requiring significant modification, integration or customisation, the consideration is allocated between the different elements on a fair value basis. Revenue is recognised using a percentage of completion method. The stage of completion is determined by reference to the costs incurred to date as a proportion of the total estimated costs or the services performed to date as a percentage of total services to be performed. Provision is made for all foreseeable future losses in the period in which they are identified;

g) Software and Licence fees – revenue is recognised when the performance under the contract has occurred and the revenue has been earned; and

h) Other – all other revenue is recognised in the month in which the service is provided. Borsa Italiana group defers some of the income received from cash trading and FTSE MIB futures trading and clearing. This deferral results in revenues being recognised at the average price of transactions forecast for the full year, as pricing levels reduce during the year when incremental volume targets are achieved.

The main source of revenue are through fees.

Non-recurring items
Items of income and expense that are material by size and/or nature and are non-recurring are classified as non-recurring items on the face of the income statement within their relevant category. The separate reporting of these items together with amortisation of purchased intangible assets helps give an indication of the Group's underlying performance.

Pension costs
The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred

Share based compensation
The Group operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

Foreign currencies
The consolidated financial statements are presented in sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Exceptions to this are where the non-monetary items form part of the net investment in a foreign operation or are designated as hedges of a net investment, or as cash flow hedges. Such exchange differences are initially recognised in equity.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate;

b) income and expenses are translated and recorded in the income statement at the average monthly rates prevailing; and

c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Finance income and expense
Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial year.

Recurring fees and charges levied on committed bank facilities and the payments and cash management transactions and services provided by the Group's banks are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to protected utilisation. If a facility is deemed unlikely to be drawn over its life, the arrangement fees will be charged immediately to the income statement. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments held as fair value hedges.

Balance Sheet

Property, plant and equipment
Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Freehold buildings, fixed plant and plant and equipment are stated at cost and are depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets which are as follows:

a) Freehold buildings – 33 to 50 years;

b) Fixed plant – three to 20 years; and

c) Plant and equipment – three to 15 years.

Leasehold properties and improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

The Group leases certain plant and equipment where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the liability so as to achieve a constant rate on the finance balance outstanding. Plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Due to the immaterial value of finance leases within the Group, they are not disclosed separately within the accounts.

Intangible assets
Goodwill arising on the acquisition of subsidiaries represents the excess of consideration paid over the fair value of the Group's share of net identifiable assets purchased and is allocated on a cash generating unit basis. It is not amortised but is tested for impairment annually, and when there are indications that the carrying value may not be recoverable, and is carried at cost less accumulated impairment losses.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives, which are as follows:

a) Customer and supplier relationships – two to 25 years (material assets are amortised over a life exceeding 15 years);

b) Brands – 10 to 25 years (material assets are amortised over a life of 25 years); and

c) Software licenses and intellectual property – two to 25 years (the majority of material assets are amortised over a life not exceeding five years).

Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of three to five years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third party expenses, and amortised over their useful economic lives of three years.

Current and deferred taxation
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantially enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

Classification of financial assets

Financial assets (excluding clearing business)
The Group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition:

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for liquidity purposes, they are initially recognised at fair value and any subsequent changes in fair value are recognised directly in the income statement. These assets are financial instruments not designated as hedges.

b) Available-for-sale financial assets

Investments (other than term deposits and interests in joint ventures, associates and subsidiaries) are designated as available-for-sale and are recorded on trade date at fair value plus transaction costs with changes in fair value recognised in equity. Where the fair value is not reliably measurable, the investment is held at cost less any provision for impairment. Assets such as shares in clearing and payment transmission operations and long term equity investments that do not qualify as associates or joint ventures are usually classified as available for sale.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Financial assets and liabilities of the central counterparty (CCP) business
Assets and liabilities of the CCP clearing service relate to subsidiaries that perform the CCP clearing business. The activities include clearing of financial derivatives, equities and bond transactions on regulated markets. The Group enters into a contractual arrangement in respect of each side of the transaction, bears the risk associated with counterparties failing to honour their obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete the delivery. Accordingly, the Group must record an asset and a liability on its balance sheet in respect of each of the sale and purchase sides of each transaction. However, except in respect of failed transactions the Group as a CCP clearer does not bear any price risk and the value of the sale and purchase side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other. The Group has adopted the settlement date as the reference date for recognising financial assets.

Income recognised through the CCP clearing business includes net treasury income earned on margin and default funds, held as part of our risk management process, and is shown separately from the Group revenues. This amount has been shown separately on the face of the income statement to distinguish this income stream from revenues arising from the Group's other activities and provides the reader with a greater understanding of the operating activities of the Group.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Accounting treatments of CCP financial assets and liabilities include the following:

a) Derivatives, trading assets and liabilities

These transactions are initially recorded at fair value, and are subsequently re-measured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no net fair value gains or losses are recognised in the income statement.

b) Receivables for and liabilities under repurchase transactions

These represent repurchase transactions (repos) by clearing members using the Group's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term. These transactions are initially recognised at fair value and are subsequently measured at amortised cost, by allocating the yield on the repo pro-rated over the duration of the contract (the coupon accrued in the period and the difference between the spot and forward prices). Since the asset and liability positions for repos are matched, the same amount is recorded for both assets and liabilities and no gain or loss is recorded in the income statement.

c) Other receivables from and payables to clearing members and default funds

These comprise accounts receivable and payable deriving from the activities of clearing members in derivatives, equities and bond transactions. They mainly represent amounts to be received or paid in relation to initial and variation margins, option premiums, securities as collateral and default fund contributions and are initially recorded at fair value. They are generally settled on the next day and, accordingly, are not discounted back to current value. Default funds absorb any losses incurred by the Group in the event of clearing members default where margin collateral is insufficient to cover the management and close out of the positions of the defaulting members.

d) Financial assets and liabilities at fair value

These represent quoted equity and bond securities which have already withdrawn from the settlement system but have not yet delivered to the intermediaries who have bought them and securities traded but not yet settled as part of the CCP function. These are initially recognised at fair value and subsequently re-measured at fair value, based on the market price of each security. The difference between the settlement price of each security at trade date and the market price of that security at the period end is recognised as a fair value gain or loss in the income statement.

e) Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. After initial measurement held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate less impairment. The amortisation of any premium or discount is included in the interest income.

f) Cash and cash equivalents (restricted)

These include amounts received from clearing members to cover initial and variation margins and default fund contributions as collateral against default or insolvency and are deposited with banks. Such amounts are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

The Group applies fair value hedge accounting for hedging interest rate risk on borrowings. Any gain or loss is recognised in the income statement within finance expenses.

The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

The Group hedges a proportion of its net investment in its Italian Companies by designating euro borrowings as a net investment hedge. In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Trade receivables
Trade receivables are non-interest bearing and are stated at their fair value, which is usually the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or will be subject to a financial reorganisation or default on, or be delinquent on, its payment obligations are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank, term deposits and investments in money market funds and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Assets held for sale
Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Borrowings
Bank borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is charged to the income statement over the period of the borrowings using the effective interest rate method. Similarly direct issue costs and transaction costs (including upfront facility fees) are charged to the income statement over the period of the borrowings using the effective interest rate method.

Share capital
The Company's own shares held by the Employee Benefit Trust are deducted from equity until they vest unconditionally for employees and are held at cost. Consideration paid in respect of these treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.

2. Financial risk management
The Group seeks to protect its financial performance from exposure to capital, credit, sovereign, liquidity and market (including foreign exchange, fair value and cash flow interest rate) risks.

Financial risk management is not speculative. It is performed at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and also locally, where operating units manage regulatory and operational risks. This includes clearing operations at LCH.Clearnet Group and CC&G that operate in accordance with local regulation and under locally approved risk and investment policies. The Financial Risk Committee (FRC), a sub-Committee of the Executive Committee, chaired by the Chief Financial Officer, meets monthly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-Committee of the FRC which is also chaired by the Chief Financial Officer, meets regularly to monitor the management of foreign exchange, interest rates, credit risks and the investment of excess liquidity in addition to its oversight of the Group's funding arrangements. Both Committees ensure that treasury and risk operations are performed in accordance with Group Board approved policies and procedures and regular updates, on a range of key criteria as well as new developments, are provided through the Enterprise Risk Management Framework to the LSEG Risk Committee. See 'Principal Risk and Uncertainties', pages 48-53, for further detail on the Group's risk framework.

Capital risk

Risk description	Risk management approach
The Group is profitable and its capital base comprises equity capital and debt capital. However, the Group recognises the risk that its entities (whether regulated or unregulated) may not maintain sufficient capital to meet commercial requirements or they may invest in projects that fail to generate a return that is value enhancing. The Group incorporates a number of regulated entities within its structure. It considers that increases in the regulatory capital requirements of those companies and a scarcity of debt or equity (driven by its own performance or financial market conditions) are the principal risks to managing its capital.	The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining the flexibility to invest for growth is a key capital management consideration. The Group can manage its capital structure by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. Regulated entities continuously monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the FRC includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that compliance with local regulations is maintained and that there is a robust evaluation of the impact of new investments by the Group on its capital position. As at 31 March 2014, £803.6 million of cash and cash equivalents was held to meet a number of regulatory and operational requirements across the Group's regulated entities. This amount materially increased during the year as a result of the inclusion of LCH.Clearnet Group's total cash and cash equivalents, in addition to the existing £200 million generally set aside by other LSEG operations. We anticipate that Group companies' cash and cash equivalents are sufficient to comfortably support current regulatory frameworks, including requirements under EMIR. The level of cash set aside by the Group for these purposes remains subject to on-going review with regulators in Europe and the US. To maintain the financial strength to access new capital at reasonable cost and meet the Group's objective of maintaining an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt excluding cash and cash equivalents set aside for regulatory and operational purposes) to adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items) against a target range of one to two times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies (including gross debt to EBITDA and EBITDA coverage of interest expense) in considering increases to its borrowings. As at 31 March 2014 net leverage was 1.9 times (2013: 1.2 times), towards the top end of the Group's target range but having reduced during the year following the debt funding of the majority acquisition of LCH.Clearnet Group and its subsequent capital raise in May 2013. The Group is in compliance with its bank facility ratio covenants (net leverage and debt service) and these measures do not inhibit the Group's operations or its financing plans.

Credit and concentration risk

Risk description	Risk management approach
In their roles as central counterparty (CCP) clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see 'Principal Risk and Uncertainties', pages 48-53. Notwithstanding revised regulations in Europe that require CCPs to invest predominantly in secured instruments or structures (such as reverse repos), CC&G and the LCH.Clearnet Group CCPs will continue to be able to invest up to five per cent of their margin and default fund cash unsecured. Through this un-secured investment by its CCPs (as well as by certain other operations observing agreed investment policy limits), the Group will continue to face the risk of direct loss from a deterioration or failure of one or more of its unsecured deposit counterparties. Concentration risk may arise through having large, connected individual exposures and significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs. More broadly, the Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including: — customer receivables — repayment of invested cash and cash equivalents — settlement of derivative financial instruments	**CCPs** To address the market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP would incur in order to close out open positions in the event of the member's default. Margins are calculated using established international risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required and non-cash collateral is re-valued daily. As at 31 March 2014, the total aggregate margin liability of clearing members amounted to £68.3 billion, against which the Group had received £35.8 billion in cash and £34.4 billion in non-cash securities. The maximum margin liability during the year was £77.2 billion. Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. As at 31 March 2014, the total of clearing member contributions to the default funds amounted to £9.0 billion in aggregate across the Group's CCPs. The maximum amount during the year was £9.1 billion. Furthermore, in accordance with recent regulatory changes, each of the Group's CCPs has reinforced its capital position to meet the more stringent requirements, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure. Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed "secure" by the relevant regulatory body including through direct investments in highly rated, regulatory qualifying sovereign bonds and supra-national debt, investments in tri-party and bi-lateral reverse repos (receiving high quality government securities as collateral which are subject to a "haircut" on their market value) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor. The investment portfolio at 31 March 2014 totalled £47.4 billion in aggregate, of which a weighted average 99.7 per cent was invested securely with an overall maturity of 87 days, including material amounts invested over a very short timeframe to support liquidity needs. The maximum portfolio size during the year was £54.1 billion. Associated liquidity risks are considered in the investment mix and discussed further below. To address concentration risk, the Group maintains a diversified portfolio of high quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 March 2014 was 10.4 per cent of the total investment portfolio to the French Government (including cash held at Banque de France). **Group** Credit risk is controlled through policies developed at a Group level. Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. Furthermore, the Group is exposed to a large number of customers and so concentration risk on its receivables is deemed as low. Credit risk of cash and cash equivalents is managed by limiting the exposure to up to £50 million for 12 months with counterparties rated long term AAA (or equivalent) through to a maximum £25 million overnight with counterparties rated short term A-2 (or equivalent). Derivative transactions are undertaken with well-capitalised counterparties, authorised by policy, to limit the credit risk underlying these transactions.

Sovereign risk

Risk description	Risk management approach
Distress amongst sovereigns through market concerns over the levels of government debt and the ability of certain governments to service their debts over time, could have adverse effects particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.	Specific risk frameworks manage sovereign risk for both fixed income clearing and margin collateral and all clearing members are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an on-going watch over these risks and the associated policy frameworks to protect the Group against potentially severe market volatility in the sovereign debt markets. The Group has material investments of more than £1 billion in the following sovereigns as at 31 March 2014:

Sovereign Treasury Exposures	Group Aggregate £ billion
France	4.9
Italy	4.5
USA	3.9
Belgium	2.2
Germany	1.5
UK	1.0

Liquidity, settlement and custodial risk

Risk description	Risk management approach
The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations. In addition, the Group's CCPs and certain other subsidiary companies are required to maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member. The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations. The Group uses third party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration.	Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, support acquisitions or repay borrowings. With the exception of regulatory constraints impacting the Group's CCPs and certain other regulated entities, funds can generally be lent across the Group or remitted through dividend payments and this is an important component of the Group Treasury cash management policy and approach. Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly. During the year new, committed, revolving three and five year credit facilities totalling £700 million were arranged by LSEG to underpin the Group's financial flexibility. The new facilities extend the Group's average drawn debt maturity profile to just under 5 years and underpin facility headroom over the medium term; the next scheduled debt maturity is in July 2016. At 31 March 2014, £422 million of the Group's facilities were unutilised. The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to arrange appropriate levels of back up liquidity to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see Credit Risk section above). In addition, certain Group companies, including the CCPs, maintain operational support facilities from banks to manage intraday and overnight liquidity. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Where possible, the Group employs guaranteed delivery versus payment techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer. Custodians are subject to minimum eligibility requirements and ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place.

At 31 March 2014	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	**278.7**	**–**	**399.4**	**545.6**
Trade and other payables	**401.5**	**–**	**–**	**–**
CCP liabilities	**503,747.4**	**–**	**–**	**–**
Derivative financial instruments	**3.4**	**–**	**–**	**4.0**
	504,431.0	**–**	**399.4**	**549.6**

At 31 March 2013	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	0.4	–	499.2	297.2
Trade and other payables	230.0	3.2	0.2	–
CCP liabilities	146,088.1	–	–	–
Derivative financial instruments	0.1	–	1.1	2.4
	146,318.6	3.2	500.5	299.6

Market risk – Foreign Exchange

Risk description	Risk management approach
The Group operates in the UK, Italy, France and Sri Lanka and, through its FTSE International Limited and LCH.Clearnet Group Limited subsidiaries, has growing businesses in the USA and Asia. With the exception of MillenniumIT (a Sri Lankan Rupee reporting entity), which invoices a material proportion of its revenues in US dollars, and LCH.Clearnet Limited (a euro reporting entity), which incurs a majority of its costs in sterling, Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, sterling, and from occasional, large intercompany transactions. The Group faces less significant foreign exchange exposures from transaction risk on dividends that are remitted in currencies other than the currency of the recipient operation. The Group may be exposed from time to time by strategic investments in currencies other than sterling.	The Group seeks, where it can, to match the currency of its debt liabilities with its EBITDA generation in the same currency whilst endeavouring to balance the currency of its assets with the currency of its liabilities. The Group reinforces this methodology by regularly distributing its currency cash earnings in dividends and by absorbing currency earnings through interest payments on sterling debt, re-denominated through the use of cross-currency swaps or by drawing debt in the same currency, where this is practicable. A proportion of the Group's debt is held or effectively held in euro. As at 31 March 2014, £400.5 million of drawn debt was euro denominated (2013: nil) and £248.5 million (2013: £255.5 million) of cross-currency swaps, directly linked to sterling debt, were designated as a hedge of the net investment in the Italian Group. A profit of £4.3 million for the financial year (2013: profit of £5.7 million) on foreign currency borrowings, inter company loan assets and liabilities and cross-currency swap hedges was recognised in equity. The net investment hedge was fully effective. Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires that cash flows of more than £1 million or equivalent per annum should be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Hedge accounting of derivatives is considered to mitigate material levels of income statement volatility. The Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 March 2014, the Group has considered movements in the euro over the last year and has concluded that a 10 per cent movement in rates is a reasonable level to measure the risk to the Group. At 31 March 2014, if sterling had weakened or strengthened by 10 per cent against the euro with all other variables held constant, post tax profit for the year would have been, respectively, £0.3 million higher or £0.4 million lower (2013: £0.4 million higher and £0.3 million lower); however, equity would have been £19.0 million lower (2013: £5.7 million lower) and £23.2 million higher (2013: £7.0 million higher). This reflects foreign exchange gains or losses on translation of euro denominated trade receivables, trade payables, financial assets at fair value through profit or loss including euro denominated cash and borrowings. If, on the other hand, the average sterling : euro exchange rate for the year had moved €5 cents, this would have changed the Group's operating profit for the year before amortisation of purchased intangibles and non-recurring items by approximately £12 million.

Market risk – Cash Flow and Fair Value Interest Rate Risk

Risk description	Risk management approach
The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates. The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their investment activities.	Group interest rate management policy has been updated recently to reflect the change in the Group's net debt dynamic following the majority acquisition of LCH.Clearnet Group Limited (which maintains a significant net cash position). The revised policy focusses on protecting the Group's credit rating and requires a minimum coverage of interest expense by EBITDA to be maintained of 7 times and a maximum floating rate component of 50 per cent of total debt. As at 31 March 2014, interest expense cover was at 8.0 times (2013: 9.9 times) and the floating rate component of total debt was 23 per cent. Group interest rate risk on cash and cash equivalents and investments in financial assets reflects underlying investments generally over short durations and so the Group is more exposed to movements in short term rates. In the Group's CCPs, interest bearing assets have generally been invested for a longer term than interest bearing liabilities, whose interest rate is generally reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily. In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a one percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 March 2014, at the Group level, if interest rates on sterling-denominated and euro-denominated cash and borrowings had been 1 percentage point higher with all other variables held constant, post-tax profit for the year would actually have been £6.5 million higher (2013: £6.3 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents. At 31 March 2014, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for euro, US dollar and sterling liabilities respectively, had been one percentage point higher, with all other variables held constant, the daily impact on post-tax profit for the Group would have been £0.8 million lower. This deficit would be recovered as investment yields increase as the portfolio matures and is re-invested.

3. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant judgements and estimates for the year ended 31 March 2014 are as follows:

Goodwill – tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by investors to determine an appropriate discount rate. Sensitivity analysis is provided in note 13;

Purchased intangible assets – valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised;

Defined benefit pension asset or liability – determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. Sensitivity analysis is provided in note 16; and

Contingent Liabilities – assessment based on management's judgement concerning the particular facts and circumstances surrounding commitments and contingencies.

Notes to the financial statements continued

4. Segmental Information

Segmental disclosures for the year ended 31 March 2014 are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH. Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	309.5	98.4	263.0	348.7	64.0	4.7	–	1,088.3
Inter-segmental revenue	–	0.9	–	–	10.9	–	(11.8)	–
Revenue	309.5	99.3	263.0	348.7	74.9	4.7	(11.8)	1,088.3
Net treasury income through CCP business	–	47.6	62.2	–	–	–	–	109.8
Other Income	–	–	(3.5)	–	–	15.0	–	11.5
Total income	309.5	146.9	321.7	348.7	74.9	19.7	(11.8)	1,209.6
Operating profit before amortisation of purchased intangible assets and non-recurring items	144.7	83.5	81.1	169.7	11.8	8.7	11.7	511.2
Amortisation of purchased intangible assets								(116.5)
Non-recurring items								(41.6)
Operating profit								353.1
Net finance expense								(68.8)
Profit before taxation								284.3
Other income statement items:								
Depreciation and software amortisation	(25.3)	(5.5)	(23.0)	(15.6)	(5.3)	(0.2)	12.6	(62.3)

The segmental reporting incorporates LCH.Clearnet's results since its acquisition by the Group on 1 May 2013. Comparative information for LCH.Clearnet has not been included within the following tables.

Revenue from external customers principally comprises fees for services rendered £1,014.0 million (2013: £658.5 million) and Technology Services £64.0 million (2013: £56.1 million).

Post Trade Services – CC&G and Monte Titoli, saw an expected sharp decline in net treasury income following completion of the migration to a minimum 95 per cent secured investment portfolio, partially offset by a modest increase in revenue resulting in total income decreasing to £146.9 million (2013: £208.5 million).

Net treasury income through CCP business of £109.8 million comprises gross interest income of £261.1 million less gross interest expense of £151.3 million. Interest from investment in securities amount to £34.8 million.

Comparative segmental disclosures for the year ended 31 March 2013 (restated) are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	267.5	91.8	306.3	56.1	4.7	–	726.4
Inter-segmental revenue	–	–	–	21.3	–	(21.3)	–
Revenue	267.5	91.8	306.3	77.4	4.7	(21.3)	726.4
Net treasury income through CCP business	–	116.7	–	–	–	–	116.7
Other Income	–	–	–	–	9.8	–	9.8
Other non-recurring income	–	–	–	–	18.3	–	18.3
Total income	267.5	208.5	306.3	77.4	32.8	(21.3)	871.2
Operating profit before amortisation of purchased intangible assets and non-recurring items	118.9	144.3	147.1	20.2	0.5	(0.8)	430.2
Amortisation of purchased intangible assets							(88.8)
Non-recurring income							18.3
Non-recurring expenses							(11.3)
Operating profit							348.4
Net finance expense							(49.5)
Profit before taxation							298.9
Other income statement items:							
Depreciation and software amortisation	(27.0)	(5.6)	(14.6)	(5.4)	(0.4)	12.6	(40.4)

Net treasury income through CCP business of £116.7 million comprises gross interest income of £128.9 million less gross interest expense of £12.2 million. Interest from investment in securities amount to £12.5 million.

The comparatives are shown following restatement for reallocation of technology costs across other segments.

Geographical disclosure

	2014 £m	2013 £m
Revenue		
UK	**659.5**	432.9
Italy	**283.5**	255.4
France	**87.0**	1.9
Other	**58.3**	36.2
Total	**1,088.3**	726.4

Revenue has been restated to be allocated based on the location of the group entity which earns the revenue which better represents our operating reviews.

	2014 £m	2013 £m
Total assets		
UK	**183,482.2**	1,300.1
Italy	**141,001.8**	147,596.9
France	**182,593.1**	
Other	**577.3**	28.4
Total	**507,654.4**	148,925.4
Associates – Italy	–	0.6
Total	**507,654.4**	148,926.0

5. Expenses by nature

Expenses comprise the following:

	2014 £m	2013 £m
Cost of sales	**74.1**	60.0
Employee costs	**303.9**	167.3
Depreciation and non-acquisition software amortisation	**62.3**	40.4
Amortisation of purchased intangibles assets and non-recurring costs	**158.1**	100.1
IT costs	**92.0**	64.5
Other costs	**166.1**	90.5
Total expenses	**856.5**	522.8

Foreign exchange gains or losses included in the income statement are immaterial.

6. Employee costs

Employee costs comprise the following:

	Notes	2014 £m	2013 £m
Salaries and other short term benefits		**237.6**	128.1
Social security costs		**37.4**	19.2
Pension costs	16	**17.3**	7.5
Share based compensation		**11.6**	12.5
Total		**303.9**	167.3

The average number of employees in the Group was:

	2014	2013
UK	**1,329**	753
Italy	**503**	428
France	**205**	7
Sri Lanka	**659**	654
Other	**151**	120
Total	**2,847**	1,962

The Company has no employees.

Average is calculated from date of acquisition of the subsidiary company by the Group.

Notes to the financial statements continued

7. Amortisation of purchased intangible assets and non-recurring items

	Notes	2014 £m	2013 £m
Amortisation of purchased intangible assets	13	**116.5**	88.8
Transaction credit		**–**	(18.3)
Transaction costs		**14.9**	7.6
Restructuring costs		**28.8**	3.7
Pension curtailment credit		**(2.1)**	–
Total affecting operating profit		**158.1**	81.8
Total affecting profit before tax		**158.1**	81.8
Tax effect on items affecting profit before tax			
Deferred tax on amortisation of purchased intangible assets		**(11.8)**	(9.1)
Current tax on amortisation of purchased intangible assets		**(2.2)**	(2.2)
Tax effect on other items affecting profit before tax		**(9.1)**	(1.0)
Total tax effect on items affecting profit before tax		**(23.1)**	(12.3)
Total charge to income statement		**135.0**	69.5

Transaction costs comprise charges incurred for ongoing services related to potential or completed acquisitions. Restructuring costs primarily relate to the integration of the LCH business in the current year.

The transaction credit in 2013 relates to funds received from the TMX Group following the termination of the 2010 merger agreement.

8. Net finance expense

	Notes	2014 £m	2013 £m
Finance income			
Bank deposit and other interest income		**5.2**	2.4
Other finance income		**0.3**	0.3
		5.5	2.7
Finance expense			
Interest payable on bank and other borrowings		**(71.2)**	(48.2)
Defined benefit pension scheme interest cost	16	**(0.8)**	(2.0)
Other finance expenses		**(2.3)**	(2.0)
		(74.3)	(52.2)
Net finance expense		**(68.8)**	(49.5)

9. Taxation

The standard UK corporation tax rate was 23 per cent (24 per cent for the year ended 31 March 2013).

Taxation charged to the income statement	Notes	2014 £m	2013 £m
Current tax:			
UK corporation tax for the year		**43.5**	30.5
Overseas tax for the year		**77.6**	78.6
Adjustments in respect of previous years		**(1.2)**	(16.4)
		119.9	92.7
Deferred tax:	15		
Deferred tax for the year		**(4.7)**	0.3
Adjustments in respect of previous years		**(1.8)**	(0.5)
Deferred tax liability on amortisation of purchased intangible assets		**(11.8)**	(9.1)
Taxation charge		**101.6**	83.4

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 credited/(charged) to income statement	2014 £m	2013 £m
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	**3.5**	2.0
Deferred tax (loss)/credit:		
Defined benefit pension scheme actuarial (gain)/loss	**(1.7)**	1.7
Tax allowance on share options/awards in excess of expense recognised	**1.0**	0.5
Movement in value of available for sale financial assets	**(0.7)**	(0.4)
Adjustments relating to change in UK tax rate	**(0.6)**	0.1
	1.5	3.9

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 as explained below:

	2014 £m	2013 £m
Profit before taxation	**284.3**	298.9
Profit multiplied by standard rate of corporation tax in the UK	**65.4**	71.7
Expenses not deductible/(income not taxable)	**4.3**	(2.2)
Adjustment arising from change in UK tax rate	**2.4**	0.7
Overseas earnings taxed at higher rate	**19.1**	17.7
Adjustments in respect of previous years	**(3.0)**	(16.8)
Amortisation of purchased intangibles	**13.4**	12.3
Taxation charge	**101.6**	83.4

10. Earnings per share

Earnings per share is presented on four bases: basic earnings per share; diluted earnings per share; adjusted basic earnings per share; and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation of purchased intangible assets, non-recurring items and unrealised gains and losses to enable a better comparison of the underlying earnings of the business with prior periods.

	2014	2013
Basic earnings per share	**63.0p**	80.4p
Diluted earnings per share	**61.4p**	79.0p
Adjusted basic earnings per share	**107.1p**	105.3p
Adjusted diluted earnings per share	**104.4p**	103.4p

	£m	£m
Profit for the financial year attributable to equity holders	**170.1**	217.0
Adjustments:		
Amortisation and non-recurring items:		
Amortisation of purchased intangible assets	**116.5**	88.8
Transaction costs	**14.9**	7.6
Transaction cost contribution from TMX Group	**–**	(18.3)
Restructuring costs	**28.8**	3.7
Pension curtailment costs	**(2.1)**	–
Other adjusting items:		
Unrealised net investment loss (included in other income)	**3.5**	–
Tax effect of amortisation and non-recurring items	**(23.1)**	(12.3)
Tax effect of other adjusting items	**(1.2)**	–
Amortisation, non-recurring and adjusting items, and taxation attributable to non-controlling interests	**(18.1)**	(2.5)
Adjusted profit for the financial year attributable to equity holders	**289.3**	284.0
Weighted average number of shares – million	**270.1**	269.8
Effect of dilutive share options and awards – million	**7.0**	4.8
Diluted weighted average number of shares – million	**277.1**	274.6

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

Notes to the financial statements continued

11. Dividends

	2014	2013
	£m	£m
Final dividend for 2013 paid 19 August 2013: 19.8p per Ordinary share (2012: 19.0p)	**53.5**	51.2
Interim dividend for 2014 paid 6 January 2014: 10.1p per Ordinary share (2013: 9.7p)	**27.3**	26.2
	80.8	77.4

The Board has proposed a final dividend in respect of the year ended 31 March 2014 of 20.7p, per share, which is estimated to amount to £56.0 million, to be paid on 19 August 2014.

12. Property, plant and equipment

	Land & Buildings			
	Freehold	Leasehold	Fixed plant, other plant and equipment	Total
	£m	£m	£m	£m
Cost:				
31 March 2012	46.3	40.0	96.9	183.2
Additions	0.4	–	17.6	18.0
Foreign exchange	0.4	0.1	0.7	1.2
Acquisition of subsidiaries	–	–	0.1	0.1
Reclassification from Held for Sale	6.3	–	–	6.3
Disposals	–	(0.1)	(8.1)	(8.2)
31 March 2013	53.4	40.0	107.2	200.6
Additions	**2.3**	**0.1**	**20.4**	**22.8**
Foreign exchange	**(0.1)**	**(0.1)**	**(1.4)**	**(1.6)**
Acquisition of subsidiaries	**–**	**7.3**	**8.1**	**15.4**
Disposals	**–**	**(0.1)**	**(8.9)**	**(9.0)**
31 March 2014	**55.6**	**47.2**	**125.4**	**228.2**
Accumulated depreciation:				
31 March 2012	27.8	29.1	53.0	109.9
Charge for the year	0.3	2.1	15.2	17.6
Foreign exchange	–	0.1	0.3	0.4
Disposals	–	–	(7.4)	(7.4)
31 March 2013	28.1	31.3	61.1	120.5
Charge for the year	**0.4**	**2.9**	**20.7**	**24.0**
Foreign exchange	**(0.1)**	**(0.1)**	**(0.5)**	**(0.7)**
Disposals	**–**	**(0.1)**	**(8.8)**	**(8.9)**
31 March 2014	**28.4**	**34.0**	**72.5**	**134.9**
Net book values:				
31 March 2014	**27.2**	**13.2**	**52.9**	**93.3**
31 March 2013	25.3	8.7	46.1	80.1

The Company has no property, plant and equipment.

13. Intangible assets

		Purchased intangible assets				
	Goodwill	Customer and supplier relationships	Brands	Software, licenses and intellectual property	Software	Total
	£m	£m	£m	£m	£m	£m
Cost:						
31 March 2012	1,188.9	959.5	236.8	342.4	219.0	2,946.6
Additions	1.1	–	–	–	21.3	22.4
Acquisition of subsidiaries	4.1	–	–	–	0.5	4.6
Disposals	–	–	–	–	(84.4)	(84.4)
Foreign exchange	17.8	8.7	0.2	2.2	1.3	30.2
31 March 2013	1,211.9	968.2	237.0	344.6	157.7	2,919.4
Additions	**–**	**–**	**–**	**–**	**106.8**	**106.8**
Acquisition of subsidiaries	**166.1**	**232.0**	**18.1**	**82.0**	**35.4**	**533.6**
Disposals	**–**	**–**	**–**	**–**	**(30.3)**	**(30.3)**
Foreign exchange	**(31.8)**	**(32.5)**	**(1.5)**	**(6.0)**	**(3.9)**	**(75.7)**
31 March 2014	**1,346.2**	**1,167.7**	**253.6**	**420.6**	**265.7**	**3,453.8**
Accumulated amortisation and impairment:						
31 March 2012	437.3	135.8	7.3	76.5	172.3	829.2
Amortisation charge for the year	–	49.5	10.0	29.3	22.8	111.6
Disposals	–	–	–	–	(84.4)	(84.4)
Foreign exchange	8.3	2.9	0.1	1.7	0.7	13.7
31 March 2013	445.6	188.2	17.4	107.5	111.4	870.1
Amortisation charge for the year	**–**	**61.0**	**10.9**	**44.6**	**38.3**	**154.8**
Disposals	**–**	**–**	**–**	**–**	**(30.3)**	**(30.3)**
Foreign exchange	**(8.4)**	**(4.4)**	**(0.3)**	**(2.8)**	**(0.9)**	**(16.8)**
31 March 2014	**437.2**	**244.8**	**28.0**	**149.3**	**118.5**	**977.8**
Net book values:						
31 March 2014	**909.0**	**922.9**	**225.6**	**271.3**	**147.2**	**2,476.0**
31 March 2013	766.3	780.0	219.6	237.1	46.3	2,049.3

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH.Clearnet Group, FTSE Group, MillenniumIT and Turquoise. The Company has no intangible assets.

The acquisition of the LCH.Clearnet Group, the EuroTLX business within the Italian Group, and the FTSE TMX business during the year resulted in an increase of goodwill in the Group of £166.1 million in the year. This value is preliminary and will be finalised during the following year.

During the year additions relating to internally generated software was £103.0 million.

Notes to the financial statements continued

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to eight cash generating units (CGUs), including the CGU resulting from the acquisition of the LCH.Clearnet Group. The Italian Group's Issuer, Equities Trading, Derivatives Trading and Fixed Income Trading CGUs which were in place as at 31 March 2013 were combined into a single Capital Markets CGU on 1 April 2013, reflecting the way in which those businesses are managed. Similarly, MillenniumIT's Software and Enterprise Service Provider CGUs which were in place as at 31 March 2013 were combined into a single MillenniumIT CGU on 1 April 2013.

The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by management covering the five year period ending 31 March 2019. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below:

	Net book value of goodwill					
	31 March 2013 £m	Impact of restructuring of CGUs £m	Acquisitions of subsidiaries £m	Foreign exchange £m	31 March 2014 £m	Pre-tax discount rate used in value in use calculations
Italian group:						
Issuer	18.6	(18.6)	–	–	**–**	n/a
Equities Trading	62.6	(62.6)	–	–	**–**	n/a
Derivatives Trading	28.0	(28.0)	–	–	**–**	n/a
Fixed Income Trading	70.7	(70.7)	–	–	**–**	n/a
Capital Markets	–	179.9	15.0	(4.0)	**190.9**	9.9%
Information Services	115.9	–	–	(2.3)	**113.6**	9.9%
Technology Services	17.8	–	–	(0.4)	**17.4**	10.1%
Post Trade Services	367.0	–	–	(7.3)	**359.7**	9.8%
MillenniumIT:						
Software	0.8	(0.8)	–	–	**–**	n/a
Enterprise Service Provider	0.8	(0.8)	–	–	**–**	n/a
MillenniumIT	–	1.6	–	(0.2)	**1.4**	17.3%
Turquoise	7.4	–	–	–	**7.4**	14.1%
FTSE Group	76.7	–	27.4	(5.7)	**98.4**	11.0%
LCH.Clearnet Group	–	–	123.7	(3.5)	**120.2**	12.4%
	766.3	**–**	**166.1**	**(23.4)**	**909.0**	

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short and medium term revenue and cost growth assumptions reflect current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience, taking into account an expected further recovery in underlying financial markets.

Long term growth rates (assumed to be 1.8 per cent for each of the Italian CGUs, 13.5 per cent for MillenniumIT, and 3.1 per cent for Turquoise, the FTSE Group and the LCH.Clearnet Group) represent management's internal forecasts based on external estimates of GDP and inflation for the 16 year period 1 January 2003 to 31 December 2018, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, Sri Lanka and the UK as appropriate, the Group's estimated market risk premium and a premium to reflect the inherent risks of each of the CGUs.

Based on the results of the impairment tests performed management believes there is no impairment of the carrying value of the goodwill in any CGU.

Value in use calculations for each CGU are sensitive to changes in short and medium term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates. The impact on value in use of reasonable changes in these assumptions is shown below:

		Impact on value in use of:			
	Excess of value in use over carrying value	5% reduction in revenues	5% increase in costs	0.5% reduction in long term growth rate	0.5% increase in pre-tax discount rate
Cash generating unit	£m	£m	£m	£m	£m
Italian group:					
Capital Markets	478.1	102.6	53.3	66.7	82.6
Information Services	205.2	32.7	12.8	25.4	31.6
Technology Services	43.2	12.7	8.9	4.4	5.4
Post Trade Services	420.7	88.9	41.6	60.9	75.5

Management believes goodwill allocated to the LCH.Clearnet Group, FTSE Group, MillenniumIT and Turquoise CGUs is unlikely to be materially impaired under any reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 March 2014. Revenue and cost sensitivities assume a five per cent change in revenues or costs for each of the five years in the value in use calculations.

14. Investment in subsidiary undertakings

	Shares	Loans	Other	Total
Company	£m	£m	£m	£m
31 March 2012	3,320.6	375.2	67.0	3,762.8
Other movements during the year	–	5.2	11.1	16.3
31 March 2013	3,320.6	380.4	78.1	3,779.1
Capital contribution to London Stock Exchange Group Holdings (I) Ltd	**–**	**–**	**460.4**	**460.4**
Impairment of London Stock Exchange Group Holdings (R) Ltd	**(10.6)**	**–**	**–**	**(10.6)**
Other movements during the year	**–**	**(380.4)**	**10.4**	**(370.0)**
31 March 2014	**3,310.0**	**–**	**548.9**	**3,858.9**

Principal subsidiaries:	Principal activity	Country of incorporation	Country of principal operations	% equity and votes held
Held directly by the Company:				
London Stock Exchange plc	Recognised investment exchange	UK	UK	100
Held indirectly by the Company:				
BIt Market Services S.p.A.	Retail information services & market technology	Italy	Italy	99.99
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.99
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	Italy	Italy	99.99
FTSE International Ltd	Market indices provider	UK	UK	100
LCH.Clearnet Group Limited	CCP clearing services	UK	UK	57.80
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.80
MillenniumIT Software (Private) Ltd	IT solutions provider	Sri Lanka	Sri Lanka	100
Societa per il Mercato dei Titoli di Stato S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.37
Turquoise Global Holdings Ltd	Multi-lateral trading facility	UK	UK	51.36

On 5 April 2013, the Group entered into a transaction that resulted in the Group acquiring a 75 per cent stake in FTSE TMX Global Debt Capital Markets Limited for a total consideration of £78.1 million.

On 1 May 2013, the Group completed the acquisition of a further 55.5 per cent stake in LCH.Clearnet Group Limited (LCH.Clearnet), resulting in a majority stake of 57.8 per cent in LCH.Clearnet for a consideration of £470.3 million.

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries will be annexed to the next annual return of London Stock Exchange Group plc.

Notes to the financial statements continued

15. Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below.

Group	Accelerated tax depreciation £m	Acquisition deferred tax and amortisation £m	Provisions and other temporary differences £m	Total £m
31 March 2012	2.0	(117.3)	14.8	(100.5)
Tax (charged)/credited to the income statement:	(0.4)	9.1	0.6	9.3
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme actuarial loss	–	–	1.6	1.6
– allowance on share options/awards	–	–	0.6	0.6
– movement in value of available for sale financial assets	–	–	(0.4)	(0.4)
– foreign exchange	–	(0.4)	–	(0.4)
Balance sheet transfer of pre-acquisition balances	–	–	–	–
31 March 2013	1.6	(108.6)	17.2	(89.8)
Tax credited to the income statement:	**1.1**	**11.8**	**5.4**	**18.3**
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme actuarial loss	**–**	**–**	**(2.5)**	**(2.5)**
– allowance on share options/awards	**–**	**–**	**1.0**	**1.0**
– movement in value of available for sale financial assets	**–**	**–**	**(0.7)**	**(0.7)**
– foreign exchange	**–**	**0.7**	**–**	**0.7**
Balance sheet transfer of pre-acquisition balances	**5.7**	**(72.3)**	**5.8**	**(60.8)**
31 March 2014	**8.4**	**(168.4)**	**26.2**	**(133.8)**

Assets at 31 March 2014	**8.4**	**–**	**33.8**	**42.2**
Liabilities at 31 March 2014	**–**	**(168.4)**	**(7.6)**	**(176.0)**
Net assets/(liabilities) at 31 March 2014	**8.4**	**(168.4)**	**26.2**	**(133.8)**
Assets at 31 March 2013	1.6	–	17.6	19.2
Liabilities at 31 March 2013	–	(108.6)	(0.4)	(109.0)
Net (liabilities)/assets at 31 March 2013	1.6	(108.6)	17.2	(89.8)

The deferred tax assets are recoverable against future taxable profits and are due after more than one year.

The purchased intangible assets of the Italian group create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £59 million (2013: £57 million) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company.

16. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Group in a separate trustee administered fund and the funds are primarily managed by Schroder Investment Management Limited, Legal & General Investment Management Limited, PIMCO Europe Limited and Aviva Investors during the year.

The ‘Other plans’ relate to the severance and leaving indemnity scheme Trattamento di Fine Rapporto (TFR) operated by the Italian group in accordance with Italian law, the employee benefit and retirement plan operated by MillenniumIT and the pension commitments of LCH.Clearnet group.

The Company has no retirement benefit obligations.

The only scheme operated by FTSE International is a defined contribution scheme.

Defined benefit schemes

The UK defined benefit scheme was a non-contributory scheme and closed to new members in 1999. With effect from 31 March 2012, the scheme also closed to accrual of future benefits for active members and it has been agreed that the benefits for affected members will remain linked to their salary with the Group.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

The TFR operated by the Italian group is classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91 per cent of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75 per cent of ‘national life price index +1.5 per cent’ by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as a defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than five years, he or she is entitled to a payment equivalent to half a month’s gross salary multiplied by the number of years in service at MillenniumIT.

The defined benefit scheme operated by LCH.Clearnet was closed to new members from 30 September 2009. The scheme was closed to further employee contributions on 31 March 2013.

Defined contribution schemes

The Group's defined contribution schemes are now the only schemes open to new employees in the UK, Italy and LCH entities. For the UK pension plan, a core contribution of four to eight per cent of pensionable pay is provided and the Group will match employee contributions up to a maximum of six to ten per cent of pensionable pay. LCH pays fixed contributions to the defined contribution scheme and there is no legal or constructive obligation to pay further contributions.

Amounts recognised in the income statement are as follows:

	Notes	2014 LSEG UK £m	2014 LCH UK £m	2014 Other plans £m	2013 UK Pension £m Restated	2013 Other plans £m Restated
Defined contribution schemes		(3.4)	(5.5)	(7.6)	(3.4)	(2.2)
Defined benefit scheme – current service cost		(0.9)	(0.5)	0.6	–	(1.9)
Total pension charge included in employee costs	6	(4.3)	(6.0)	(7.0)	(3.4)	(4.1)
Net finance expense	8	(0.7)	0.4	(0.5)	(1.7)	(0.3)
Total recognised in the income statement		(5.0)	(5.6)	(7.5)	(5.1)	(4.4)

Defined benefit assets/(obligations) for UK pension scheme

	2014 LSEG UK £m	2014 LCH UK £m	2013 LSEG UK £m	2012 LSEG UK £m	2011 LSEG UK £m	2010 LSEG UK £m
Fair value of assets:						
Equities (quoted)	8.4	87.7	9.4	39.0	39.3	37.2
Bonds (quoted)	104.2	76.8	110.8	67.5	219.5	218.5
Property	4.3	–	11.4	24.4	23.3	13.3
Cash	4.4	5.8	–	–	–	–
Pensioner buy in policy	155.4	–	142.1	–	–	–
Foreign exchange	–	(2.8)	–	133.5	–	–
Total fair value of assets	276.7	167.5	273.7	264.4	282.1	269.0
Present value of funded obligations	(300.6)	(153.0)	(291.4)	(274.2)	(244.5)	(264.4)
(Deficit)/surplus	(23.9)	14.5	(17.7)	(9.8)	37.6	4.6

UK pension plan actuarial assumptions are set out below:

	2014 LSEG UK	2014 LCH UK	2013 LSEG UK
Inflation rate – RPI	3.4%	3.4%	3.4%
Inflation rate – CPI	2.4%	2.4%	2.4%
Rate of increase in salaries	3.4%	n/a	3.4%
Rate of increase in pensions in payment	3.6%	2.2%	3.6%
Discount rate	4.5%	4.5%	4.5%
Life expectancy from age 60 (years)			
– Non retired male member	28.6	n/a	28.0
– Non retired female member	30.5	n/a	30.8
– Retired male member	27.1	29.3	26.5
– Retired female member	29.2	31.3	29.3

The mortality assumptions are based on the standard tables S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for CM1 2013 projections and applied a 1.25 per cent/1.00 per cent for male/female long term trend rate in respect of future mortality improvements.

Sensitivities

The sensitivities regarding the principal assumptions used to measure the LSEG UK scheme obligations are:

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate (CPI)	Increase/decrease by 0.5%	Increase/decrease by £4.1m
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by £20.1m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £22.9m
Mortality rate	Increase by 1 year	Increase by £8.8m

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Changes in the present value of the defined benefit obligation

	2014			2013	
	LSEG UK	LCH UK	Other plans	LSEG UK	Other plans
	£m	£m	£m	£m	£m
Benefit obligation as at 1 April	**291.4**	**–**	**7.9**	274.2	6.7
Liabilities acquired in a business combination	**–**	**160.6**	**11.1**	–	–
Pension expense/(income):					
Current service cost	**–**	**0.5**	**(0.6)**	–	1.9
Interest cost	**12.9**	**6.1**	**0.6**	13.5	0.3
Subtotal included in the income statement	**12.9**	**6.6**	**–**	13.5	2.2
Re-measurement losses/(gains)					
Actuarial (gains)/losses – financial assumptions	**–**	**(13.6)**	**0.3**	22.2	0.1
Actuarial losses – demographic assumptions	**1.3**	**–**	**0.2**	–	–
Actuarial losses/(gains) – experience	**4.3**	**–**	**(0.5)**	(9.5)	–
Subtotal included in other comprehensive income	**5.6**	**(13.6)**	**–**	12.7	0.1
Benefits paid	**(9.3)**	**(2.4)**	**(5.4)**	(9.0)	(1.4)
Foreign exchange	**–**	**1.8**	**(0.2)**	–	0.3
Benefit obligation as at 31 March	**300.6**	**153.0**	**13.4**	291.4	7.9

Movement in fair value of scheme assets during the period

	2014			2013	
	LSEG UK	LCH UK	Other plans	LSEG UK	Other plans
	£m	£m	£m	£m	£m
Fair value of scheme assets as at 1 April	**273.7**	**–**	**–**	264.4	–
Assets acquired in a business combination	**–**	**169.6**	**3.6**	–	–
Pension income:					
Interest income	**12.2**	**6.5**	**0.1**	11.8	–
Subtotal included in the income statement	**12.2**	**6.5**	**0.1**	11.8	–
Re-measurement gains:					
Actuarial (losses)/gains	**(2.6)**	**(7.0)**	**0.3**	5.9	–
Subtotal included in other comprehensive income	**(2.6)**	**(7.0)**	**0.3**	5.9	–
Contributions by employer	**3.6**	**–**	**0.1**	0.6	–
Expenses	**(0.9)**	**–**	**–**	–	–
Benefits paid	**(9.3)**	**(2.4)**	**(3.7)**	(9.0)	–
Foreign exchange	**–**	**0.8**	**–**	–	–
Fair value of scheme assets as at 31 March	**276.7**	**167.5**	**0.4**	273.7	–

The actual return on plan assets was £9.6 million (2013: £17.7 million).

Defined benefit actuarial gains and losses recognised
The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income:

	2014			2013	
	LSEG UK	LCH UK	Other plans	LSEG UK	Other plans
	£m	£m	£m	£m	£m
Recognised up to 1 April	**(19.7)**	**–**	**(1.0)**	(12.9)	(0.9)
Net actuarial (loss)/gain recognised in the year	**(8.2)**	**6.6**	**0.3**	(6.8)	(0.1)
Cumulative amount recognised at 31 March	**(27.9)**	**6.6**	**(0.7)**	(19.7)	(1.0)

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2012 by an independent qualified actuary. The Group is currently in discussion on the contributions to the defined benefit scheme during the year to 31 March 2014. The next actuarial valuation as at 31 March 2015 may result in an adjustment to future contribution levels.

The Group estimates the present value of the duration of defined benefit obligations on average to fall due over 20 years.

History of experience gains and losses for the UK pension scheme	**2014**	**2013**	**2012**	**2011**	**2010**
Experience adjustments arising on scheme assets:					
Experience (loss)/gain (£m)	**(2.6)**	5.9	(23.4)	5.3	25.6
Percentage of scheme assets	**(0.9%)**	2.2%	(8.9%)	1.9%	9.5%
Experience adjustments arising on scheme liabilities:					
Experience (loss)/gain (£m)	**(4.3)**	9.5	(3.9)	1.5	7.5
Impact of changes in assumptions (£m)	**(1.3)**	(22.2)	(20.4)	25.3	(34.9)
Total (£m)	**(5.6)**	(12.7)	(24.3)	26.8	(27.4)

Percentage of scheme liabilities					
Experience (loss)/gain	**(1.4%)**	3.3%	(1.4%)	0.6%	2.8%
Impact of changes in assumptions	**(0.4%)**	(7.6%)	(7.4%)	10.3%	(13.2%)
Total	**(1.8%)**	(4.3%)	(8.8%)	10.9%	(10.4%)

17. Trade and other receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£m	£m	£m	£m
Trade receivables	**133.5**	121.2	**–**	–
Less: provision for impairment of receivables	**(5.2)**	(6.1)	**–**	–
Trade receivables – net	**128.3**	115.1	**–**	–
Amounts due from Group undertakings	**–**	–	**534.1**	579.4
Other receivables	**38.3**	5.9	**–**	–
Prepayments and accrued income	**83.9**	64.7	**–**	–
	250.5	185.7	**534.1**	579.4

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values.

Trade receivables that are not past due are not considered to be impaired.

The ageing of past due debtors for the Group is as follows:

	2014		2013	
	Impaired	Not impaired	Impaired	Not impaired
	£m	£m	£m	£m
0 to 3 months past due	**–**	**50.7**	0.1	40.9
Greater than 3 months past due	**5.2**	**11.6**	6.0	9.7
	5.2	**62.3**	6.1	50.6

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	2014	**2013**
	£m	£m
Sterling	**122.9**	98.3
Euro	**90.7**	58.4
Other Currencies	**36.9**	29.0
	250.5	185.7

Movements on the Group provision for impairment of trade receivables are as follows:

	2014	**2013**
	£m	£m
1 April	**6.1**	7.8
Provision for receivables impairment	**3.4**	1.4
Receivables written off during the year as uncollectible	**(0.7)**	(0.9)
Provisions no longer required	**(3.4)**	(2.2)
Foreign exchange	**(0.2)**	–
31 March	**5.2**	6.1

The creation and release of the provision for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

18. Financial instruments by category

The financial instruments of the Group and Company are categorised as follows:

31 March 2014	Group: Loans and receivables	Group: Available for sale	Group: Assets at fair value through profit or loss	Group: Held to maturity	Group: Total	Company: Loans and receivables	Company: Assets at fair value through profit or loss	Company: Total
	£m	£m	£m	£m	£m	£m	£m	£m
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	337,211.5	–	**337,211.5**		–	**–**
– Receivables for repurchase transactions	117,702.6	–	–	–	**117,702.6**		–	**–**
– Other receivables from clearing members	1,295.3	–	3,147.2	–	**4,442.5**		–	**–**
– Financial assets held at fair value	–	–	9,707.8	1,433.3	**11,141.1**		–	**–**
– Cash and cash equivalents of clearing members	24,735.1	5,926.7	2,616.7	–	**33,278.5**		–	**–**
Financial assets of the CCP clearing business	143,733.0	5,926.7	352,682.2	1,433.3	**503,776.2**		–	**–**
Assets held at fair value	–	–	18.7	–	**18.7**		–	**–**
Total financial assets for CCP clearing	143,733.0	5,926.7	352,701.9	1,433.3	**503,794.9**		–	**–**
Trade and other receivables	133.5	–	–	–	**133.5**	534.1	–	**534.1**
Cash and cash equivalents	919.2	–	–	–	**919.2**	–	–	**–**
Available for sale financial assets	–	4.8	–	–	**4.8**	–	–	**–**
Cross currency interest rate swaps	–	–	6.7	–	**6.7**	–	6.7	**6.7**
Total	**144,785.7**	**5,931.5**	**352,708.6**	**1,433.3**	**504,859.1**	**534.1**	**6.7**	**540.8**

	Group: Derivatives used for hedging	Group: Other financial liabilities	Group: Total	Company: Derivatives used for hedging	Company: Other financial liabilities	Company: Total
	£m	£m	£m	£m	£m	£m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	337,211.5	**337,211.5**	–	–	**–**
– Liabilities under repurchase transactions	–	117,702.6	**117,702.6**	–	–	**–**
– Other payables to clearing members	–	48,808.2	**48,808.2**	–	–	**–**
– Financial liabilities held at fair value	–	25.1	**25.1**	–	–	**–**
Financial liabilities of the CCP clearing business	–	503,747.4	**503,747.4**	–	–	**–**
Trade and other payables	–	401.5	**401.5**	–	204.4	**204.4**
Other non-current liabilities	–	79.2	**79.2**	–	–	**–**
Provisions	–	19.4	**19.4**	–	–	**–**
Borrowings	–	1,223.7	**1,223.7**	–	822.6	**822.6**
Interest rate swaps	3.4	–	**3.4**	–	–	**–**
Cross currency interest rate swaps	4.0	–	**4.0**	4.0	–	**4.0**
Total	7.4	505,471.2	**505,478.6**	**4.0**	**1,027.0**	**1,031.0**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The Group has no financial instruments in this category.

For assets and liabilities classified as level 2, the fair value is calculated using valuation techniques with market observable inputs. Frequently applied techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Level 1 CCP trading assets and liabilities were £8,467.8 million (2013: £3,426.6 million), Level 2 CCP trading assets and liabilities were £328,733.4 million (2013: nil).

Level 1 Financial assets held at fair value were £10,275.8 million (2013: £12.6 million), Level 2 Financial assets held at fair value were £865.3 million (2013: nil).

The cross currency interest rate swaps (amounting to six contracts of €50 million each,) effectively exchange some of the proceeds of the 2016 and the 2019 £250 million bonds from sterling into euros to better match the currency of borrowings to the Group's currency of earnings, to reduce exposure to euro denominated net assets and to protect sterling cash flow. These are designated as a hedge of the Group's net investment in the Italian group and qualify for effective hedge accounting as both legs of the swap are at fixed rates and the cash flow components of the swaps exactly match the terms of the underlying bonds. For the year ended 31 March 2014, the Group recognised the £2.3 million movement in mark to market value of these derivatives in reserves (2013: £2.5 million).

Foreign exchange forward contracts were arranged during the year to hedge the fair value of USD denominated exposures. These hedges forward buy and sell USD payables and receivables, with the mark to market adjustments offsetting the hedged item revaluation in the income statement. This also offers more predictable sterling cash flows to the Group at maturity. At 31 March 2014, USD18m of receivables and USD12.7m of payables were hedged forward into the next financial year. The market value of the hedges was £3k in aggregate.

Other non-current liabilities includes a CAD51.3m financial liability relating to the FTSE-TMX Canadian Dollar denominated investment. This financial liability has been designated as a hedge of the Group's net investment in FTSE-TMX.

The Group's financial assets held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies note on pages 112-113.

As at 31 March 2014, there were no provisions for impairment in relation to any of the CCP financial assets (2013: nil) and none of these assets were past due (2013: nil).

The financial instruments of the Group and the Company at the previous year's balance sheet date were as follows:

	Group				Company		
	Loans and receivables	Available for sale	Assets at fair value through profit or loss	Total	Loans and receivables	Assets at fair value through profit or loss	Total
31 March 2013	£m	£m	£m	£m	£m	£m	£m
Assets as per balance sheet							
Financial assets of the CCP clearing business:							
– CCP trading assets	–	–	3,426.6	3,426.6	–	–	–
– Receivables for repurchase transactions	127,036.2	–	–	127,036.2	–	–	–
– Other receivables from clearing members	7,144.8	–	–	7,144.8	–	–	–
– Financial assets held at fair value	–	–	12.6	12.6	–	–	–
– Cash and cash equivalents of clearing members	2,681.1	5,795.1	–	8,476.2	–	–	–
Financial assets of the CCP clearing business	136,862.1	5,795.1	3,439.2	146,096.4	–	–	–
Assets held at fair value	–	–	6.1	6.1	–	–	–
Total financial assets for CCP clearing	136,862.1	5,795.1	3,445.3	146,102.5	–	–	–
Trade and other receivables	121.0	–	–	121.0	579.4	–	579.4
Cash and cash equivalents	446.2	–	–	446.2	0.1	–	0.1
Available for sale financial assets	–	11.9	–	11.9	–	–	–
Cross currency interest rate swaps	–	–	4.0	4.0	–	4.0	4.0
Forward foreign exchange contract	–	–	0.3	0.3	–	–	–
Total	137,429.3	5,807.0	3,449.6	146,685.9	579.5	4.0	583.5

	Group			Company		
	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
	£m	£m	£m	£m	£m	£m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	3,426.6	3,426.6	–	–	–
– Liabilities under repurchase transactions	–	127,036.2	127,036.2	–	–	–
– Other payables to clearing members	–	15,610.4	15,610.4	–	–	–
– Financial liabilities held at fair value	–	14.9	14.9	–	–	–
Financial liabilities of the CCP clearing business	–	146,088.1	146,088.1	–	–	–
Trade and other payables	–	233.4	233.4	–	160.9	160.9
Provisions	–	27.3	27.3	–	–	–
Borrowings	–	796.8	796.8	–	796.4	796.4
Cross currency interest rate swaps	3.5	–	3.5	3.5	–	3.5
Forward foreign exchange contracts	–	0.1	0.1	–	–	–
Total	3.5	147,145.7	147,149.2	3.5	957.3	960.8

Notes to the financial statements continued

19. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following table shows the impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet.

31 March 2014	Gross amounts £m	Amount offset £m	Net amount as reported £m
Derivative financial assets	**24,807,530**	**(24,806,500)**	**1,030**
Reverse repurchase agreements	**513,873**	**(187,152)**	**326,721**
Other movements during the year	**88,284**	**(87,294)**	**990**
Total assets	**25,409,687**	**(25,080,946)**	**328,741**
Derivative financial liabilities	**(24,807,530)**	**24,806,500**	**(1,030)**
Reverse repurchase agreements	**(513,873)**	**187,152**	**(326,721)**
Other	**(88,284)**	**87,294**	**(990)**
Total liabilities	**(25,409,687)**	**25,080,946**	**(328,741)**

All offset amounts are held in the CCP trading assets and CCP trading liabilities within the Group's financial instruments.

As CCPs, the Group's operating companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £328,741.6 million to nil. Default funds for derivatives of £4,018.7 million, repos of £1,497.1 million and other transactions of £377.0 million are held by the Group. In addition, the Group holds margin of €14,954.8 million for derivatives, €12,506.5 million for repos and €4,896.3 million for other transactions, as well as additional variation margin amounts which are not allocated by business line.

20. Cash and cash equivalents

	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Cash at bank	**683.9**	217.0	**–**	0.1
Short term deposits	**235.3**	229.2	**–**	–
	919.2	446.2	**–**	0.1

Cash and cash equivalents are held with authorised counterparties of a high credit standing, in secured investments at LCH.Clearnet Group companies and at CC&G and unsecured interest bearing current and call accounts, short term deposits and AAA rated money market funds elsewhere in the Group. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

Cash and cash equivalents do not include amounts held by subsidiaries on behalf of its clearing members, the use of which is restricted to the operation of the clearers as managers of the clearing and guarantee system (see note 18). Cash and cash equivalents include amounts held by regulated entities for regulatory and operational purposes. At 31 March 2014, the Group set aside £803.6 million (2013: £200.0 million) for such purposes, with the amount subject to regular review with regulators in the UK, France and Italy.

21. Trade and other payables

	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Trade payables		**43.9**	30.4	**–**	–
Amounts owed to Group undertakings	31	**–**	–	**182.0**	132.2
Social security and other taxes		**17.2**	12.5	**–**	–
Other payables		**110.5**	26.4	**1.0**	3.3
Accruals and deferred income		**229.9**	164.1	**21.4**	25.4
		401.5	233.4	**204.4**	160.9
Current		**401.5**	230.0	**204.4**	160.9
Non-current		**–**	3.4	**–**	–
		401.5	233.4	**204.4**	160.9

22. Borrowings

	Group		Company	
	2014	2013	2014	2013
	£m	£m	£m	£m
Current				
Bank borrowings and trade finance loans	**278.7**	0.4	**26.0**	–
	278.7	0.4	**26.0**	–
Non-current				
Bonds	**796.6**	796.5	**796.7**	796.5
Preferred securities	**148.4**	–	**–**	–
Deferred arrangement fees	**–**	(0.1)	**–**	(0.1)
	945.0	796.4	**796.7**	796.4

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

Type	Expiry Date	Notes/Facility £m	Carrying value at 31 March 2014 £m	Interest rate percentage at 31 March 2014 %
Drawn value of Facilities				
Multi-currency revolving credit facility	Jul 2016	250.0	**165.1**	LIBOR + 0.8
Multi-currency revolving credit facility	Jul 2018	450.0	**112.7**	LIBOR + 0.95
Total Bank Facilities		700.0	**277.8**	
Notes due July 2016	Jul 2016	250.0	**251.0**	6.125
Notes due October 2019	Oct 2019	250.0	**248.2**	9.125
Notes due November 2021	Nov 2021	300.0	**297.4**	4.75
LCH.Clearnet preferred securities	May 2017	165.6	**148.4**	6.576
Total Bonds		965.6	**945.0**	
Total Committed Facilities		1,665.6	**1,222.8**	

Current borrowings

The Group's committed bank facility arrangements of £700 million were partially utilised at 31 March 2014 with £277.8 million drawn.

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. As at 31 March 2014, £0.9 million was the aggregate drawing against these facilities.

CC&G has unlimited 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 secured and unsecured credit lines with a number of commercial banks, which totalled €450 million at the 31 March 2014, to further support its operational and liquidity requirements.

As a bank, Clearnet SA has full and unlimited access to the liquidity operations provided by the central bank, including refinancing securities at Banque de France to support its normal day to day requirements.

Non-current borrowings

In July 2006, the Company issued a £250 million bond which is unsecured and is due for repayment in July 2016. Interest is paid semi-annually in arrears in January and July each year. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on movements in the Company's credit rating with Moody's which was unchanged throughout the financial year. The bond coupon remained at 6.125 per cent per annum throughout this period.

In June 2009, the Company issued another £250 million bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the Company's credit ratings with Moody's and Standard & Poor's which were unchanged throughout the financial year. The bond coupon remained at 9.125 per cent per annum throughout this period.

In November 2012, the Company issued a further £300 million bond under its euro medium term notes programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75 per cent per annum.

In May 2007, LCH.Clearnet Group Limited issued through Freshwater Finance plc €200 million of Perpetual Preferred Securities to underpin its capital structure. €20 million of these Securities were subsequently repurchased in the market by LCH.Clearnet Group Limited. The coupon on these Securities is currently a fixed rate of 6.576 per cent per annum and interest is paid annually. In May 2017 this coupon is replaced by a rate of three month Euribor plus 2.1 per cent per annum, and a first call date attached to the Securities is May 2018.

Fair values

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

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Group	£m	£m	£m	£m
Borrowings				
– within one year	**278.7**	**278.7**	0.4	0.4
– after more than one year	**945.0**	**1,066.2**	796.4	942.4
	1,223.7	**1,344.9**	796.8	942.8

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

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Company	£m	£m	£m	£m
Borrowings				
– within one year	**26.0**	**26.0**	–	–
– after more than one year	**796.6**	**910.3**	796.4	942.4
	822.6	**936.3**	796.4	942.4

The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over LIBOR.

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

	2014			2013		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**822.6**	**(248.5)**	**574.1**	796.4	(255.5)	540.9
Euro	**400.5**	**248.5**	**649.0**	–	255.5	255.5
Sri Lankan Rupees	**0.6**	**–**	**0.6**	0.4	–	0.4
Total	**1,223.7**	**–**	**1,223.7**	796.8	–	796.8

23. Analysis of net debt

	Group		Company	
	2014	2013	2014	2013
	£m	£m	£m	£m
Due within one year				
Cash and cash equivalents	**919.2**	446.2	**–**	0.1
Bank borrowings	**(278.7)**	(0.4)	**(26.0)**	–
Derivative financial liabilities	**(3.4)**	(0.1)	**–**	–
	637.1	445.7	**(26.0)**	0.1
Due after one year				
Deferred arrangement fees	**–**	0.1	**–**	0.1
Bonds	**(796.6)**	(796.5)	**(796.6)**	(796.4)
Preferred Securities	**(148.4)**	–	**–**	–
Derivative financial assets	**6.7**	4.3	**6.7**	4.0
Derivative financial liabilities	**(4.0)**	(3.5)	**(4.0)**	(3.5)
Total net debt	**(305.2)**	(349.9)	**(819.9)**	(795.7)

Reconciliation of net cash flow to movement in net debt

	Group		Company	
	2014	2013	2014	2013
	£m	£m	£m	£m
Increase/(decrease) in cash in the year	**491.7**	227.6	**(0.1)**	0.3
Bond issue proceeds	**–**	(297.6)	**–**	(297.6)
Bank loan repayments less new drawings	**(192.1)**	257.8	**(26.0)**	247.8
Change in net debt resulting from cash flows	**299.6**	187.8	**(26.1)**	(49.5)
Foreign exchange movements	**(11.2)**	2.6	**(0.5)**	(0.4)
Movement on derivative financial assets and liabilities	**(1.4)**	(2.4)	**2.2**	(2.6)
Bond valuation adjustment	**0.1**	0.1	**0.2**	0.1
Acquired debt	**(242.4)**	–	**–**	–
Net debt at the start of the year	**(349.9)**	(538.0)	**(795.7)**	(743.3)
Net debt at the end of the year	**(305.2)**	(349.9)	**(819.9)**	(795.7)

24. Provisions

	Property
Group	£m
1 April 2012	30.1
Utilised during the year	(4.1)
Interest on discounted provision	1.3
31 March 2013	27.3
Utilised during the year	**(9.7)**
Interest on discounted provision	**1.8**
31 March 2014	**19.4**
Current	**2.8**
Non-current	**16.6**
31 March 2014	**19.4**

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between one and 15 years to expiry.

The Company has no provisions.

Notes to the financial statements continued

25. Ordinary share capital

	2014		2013	
Authorised	millions	£m	millions	£m
Ordinary shares of 6 $^{79}/_{86}$p	**271.1**	**18.8**	271.1	18.8

More information about the shares and rights attached to the ordinary shares is given in the Directors' Report on pages 98 and 99.

26. Net cash flow generated from operations

	Group		Company	
	2014	2013	2014	2013
	£m	£m	£m	£m
Profit before taxation	**284.3**	298.9	**64.4**	159.1
Depreciation and amortisation	**178.6**	129.2	**–**	–
Loss on disposal of property, plant and equipment	**0.2**	1.5	**–**	–
Profit on acquisition/disposal of shares in subsidiary and joint venture	**(6.9)**	–	**–**	–
Net finance expense/(income)	**68.8**	49.5	**(79.3)**	(148.9)
Decrease in inventories	**0.8**	0.5	**–**	–
Decrease in trade and other receivables	**37.2**	(3.0)	**9.7**	3.2
Decrease in trade and other payables	**(118.6)**	(9.6)	**(6.7)**	(10.2)
Borrowing costs capitalised	**–**	(0.5)	**–**	(0.6)
Goodwill valuation amendment	**–**	(1.2)	**–**	–
Decrease/(increase) in CCP financial assets	**92,323.0**	(43,590.5)	**–**	–
(Decrease)/increase in CCP clearing business liabilities	**(92,236.4)**	43,594.4	**–**	–
Defined benefit pension obligation – contributions (in excess of)/lower than expenses charged	**(3.3)**	(1.0)	**–**	–
Provisions utilised during the year	**(9.7)**	(6.1)	**–**	–
(Increase)/decrease in assets held at fair value from operating activities	**(9.5)**	8.0	**–**	–
Share scheme expense	**13.4**	13.1	**–**	–
Foreign exchange (losses)/gains on operating activities	**(6.5)**	4.3	**(1.1)**	(2.5)
Cash generated from/(absorbed by) operations	**515.4**	487.5	**(13.0)**	0.1
Comprising:				
Ongoing operating activities	**548.7**	480.5	**1.7**	0.1
Non-recurring items	**(33.3)**	7.0	**(14.7)**	–
	515.4	487.5	**(13.0)**	0.1

27. Commitments and contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £1.7 million (2013: £1.6 million) and £nil (2013: £13.2 million) respectively.

LCH.Clearnet Group Limited is currently engaged in correspondence and discussions regarding concerns raised by administrators in relation to a past default exercise which could give rise to a claim against it. The amount and likelihood of success of any such claim, if made, is currently uncertain and accordingly no provision for any liability has been made in the interim statements.

28. Business combinations

Acquisitions in the year to 31 March 2014

The Group made three acquisitions during the period.

On 5 April 2013, the Group and TMX Group Limited completed a transaction to combine their fixed income businesses into a new business, FTSE TMX Global Debt Capital Markets Limited. The transaction resulted in the Group acquiring a 75 per cent stake in FTSE TMX Global Debt Capital Markets Limited for a total consideration of £78.2 million. The non-controlling interest ('NCI') has an option to sell the remaining 25 per cent interest to the Group after six years or earlier in other limited scenarios.

On 1 May 2013, the Group completed the acquisition of a further 55.5 per cent stake in LCH.Clearnet resulting in a majority stake of 57.8 per cent in LCH.Clearnet. The total investment of £470.3 million includes deferred consideration of £20.0 million, payable on 30 September 2017 subject to acceleration or delay in certain limited circumstances. The investment is inclusive of the Group's participation in the capital raise of LCH.Clearnet issued share capital of £158.2 million.

On 23 September 2013, the Group acquired a 70 per cent interest in EuroTLX SIM SpA for a consideration of £26.1 million and £0.9 million in deferred consideration. The NCI has an option to sell the remaining 30 per cent interest to the Group. The value of the option is dependent on achieving growth and cost synergies in the next financial year.

					Contribution post acquisition	
	Date acquired	Total investment	Goodwill	Fair value of assets acquired	Revenue	Operating profit
		£m	£m	£m	£m	£m
LCH.Clearnet Group Limited	1 May 2013	470.3	123.8	346.5	263.0	78.5
EuroTLX SIM SpA	23 September 2013	27.0	15.6	11.4	6.6	2.0
FTSE TMX Global Debt Capital Markets Limited	5 April 2013	78.2	27.4	50.8	10.9	6.7
		575.5	**166.8**	**408.7**	**280.5**	**87.2**

The total investment included in the acquisition of LCH.Clearnet comprises cash consideration of £292.1 million, deferred consideration of £20.0 million and the Group's participation in the capital raise of £158.2 million. Included in the LCH.Clearnet value of assets acquired is £273.7 million raised from all shareholders as part of the capital raise.

If all acquisitions had occurred on 1 April 2013, estimated Group revenue for the year would have been £1,124 million, with operating profit (before acquisition amortisation and exceptional items) of £525 million. These amounts have been calculated using the Group's accounting policies and based on available information.

The assets and liabilities arising out of each acquisition at the relevant acquisition date are as follows:

	LCH.Clearnet Group Limited		EuroTLX SIM SpA		FTSE TMX Global Debt Capital Markets Limited		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets:								
Intangible assets	**55.4**	**277.1**	**0.1**	**11.0**	**11.0**	**75.9**	**66.5**	**364.0**
Goodwill	**119.9**	–	–	–	**90.1**	–	**210.0**	–
Property, plant and equipment	**14.6**	**14.6**	**0.9**	**0.9**	–	–	**15.5**	**15.5**
Other non-current assets	**24.0**	**24.0**	–	–	–	–	**24.0**	**24.0**
Current assets:								
Cash and cash equivalents	**425.1**	**425.1**	**8.2**	**8.2**	**2.7**	**2.7**	**436.0**	**436.0**
Other current assets	**466,555.5**	**466,555.5**	**2.5**	**2.5**	**3.0**	**3.2**	**466,561.0**	**466,561.2**
Current liabilities:								
Borrowings	**(92.4)**	**(92.4)**	–	–	–	–	**(92.4)**	**(92.4)**
Other current liabilities	**(461,088.1)**	**(461,088.1)**	**(2.8)**	**(6.3)**	**(4.4)**	**(4.5)**	**(461,095.3)**	**(461,098.9)**
Non-current liabilities:								
Borrowings	**(152.4)**	**(152.4)**	–	–	–	–	**(152.4)**	**(152.4)**
Other non-current liabilities	**(5,214.0)**	**(5,277.4)**	**(0.1)**	**(0.1)**	**(4.5)**	**(9.6)**	**(5,218.6)**	**(5,287.1)**
Net assets	**647.6**	**686.0**	**8.8**	**16.2**	**97.9**	**67.7**	**754.3**	**769.9**
Non controlling interest	–	**(339.5)**	–	**(4.8)**	–	**(16.9)**	–	**(361.2)**
Goodwill	–	**123.8**	–	**15.6**	–	**27.4**	–	**166.8**
	647.6	**470.3**	**8.8**	**27.0**	**97.9**	**78.2**	**754.3**	**575.5**
Satisfied by:								
Cash and capital raise		**450.3**		**26.1**		**73.1**		**549.5**
Deferred consideration		**20.0**		**0.9**		–		**20.9**
Transfer of assets		–		–		**5.1**		**5.1**
Total investment		**470.3**		**27.0**		**78.2**		**575.5**

The fair values are preliminary and will be finalised within 12 months of the acquisition date.

The fair value adjustments include:

LCH.Clearnet Group Limited

The additional £245.2 million of intangible assets arising on consolidation represents £47.4 million relating to various technologies, £33.4 million relating to software licences, £152.1 million relating to customer relationships and £12.3 million relating to trade names. The fair values of these purchased intangible assets are being amortised over their remaining useful life from the date of completion. The goodwill of £123.8 million arising on consolidation represents the growth of future expected income streams from customers and its assembled workforce.

EuroTLX SIM SpA

The purchased intangibles of £10.9 million primarily relates to customer relations of £10.0 million. The goodwill of £15.6 million arising on consolidation includes value attributed to its assembled workforce.

FTSE TMX Global Debt Capital Markets Limited

The purchased intangibles of £74.1 million mainly relate to customer relations of £69.1 million. The goodwill of £27.4 million arising on consolidation represents the potential for the Group to expand into new territories such as the USA (£16.3 million), Australia (£7.4 million) and China (£3.7 million).

29. Leases

The Group leases various office properties and equipment under non-cancellable operating leases.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	Property		Equipment	
	2014	2013	2014	2013
Leases expiring in:	£m	£m	£m	£m
Less than one year	**30.8**	25.3	**1.1**	1.4
More than one year but less than five years	**102.4**	84.0	**0.6**	–
More than five years	**93.0**	82.7	**–**	–
	226.2	192.0	**1.7**	1.4

Operating lease payments of £34.1 million (2013: £25.6 million) were charged to the income statement in the year in relation to property and £1.9 million (2013: £3.0 million) in the year in relation to equipment.

The total future minimum lease payments expected to be received under non-cancellable operating leases for property where the Group is lessor are due as follows:

	Property	
	2014	2013
Leases expiring in:	£m	£m
Less than one year	**5.5**	8.2
More than one year but less than five years	**21.2**	21.2
More than five years	**7.0**	10.9
	33.7	40.3

The Company has no lease commitments.

30. Share Schemes

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2004 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares. Vesting of these awards is dependent upon the Company's total shareholder return performance and for awards made since 2008, adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 70-97.

The SAYE scheme and International Sharesave Plan provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20 per cent below fair market value. Share awards were granted at nil cost to employees and other share options were granted at fair market value or above.

The Group has an ESOP discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end 642,936 (2013: 1,128,556) shares were held by the trust, funded by an interest free loan from the Group. The Company has no employees, but in accordance with SIC 12 "Consolidation – Special Purpose Entities" has the obligation for the assets, liabilities, income and costs of the ESOP trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

	Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
31 March 2012	404,240	5.26	489,271	6.13	6,093,311	–
Granted	55,440	9.85	220,046	8.20	2,814,239	–
Exercised	(67,570)	3.57	(3,844)	6.13	(1,386,330)	–
Lapsed/forfeited	(8,995)	7.80	(20,403)	6.13	(1,028,747)	–
31 March 2013	383,115	6.16	685,070	6.79	6,492,473	–
Granted	**–**	**–**	**214,485**	**12.64**	**2,231,649**	**–**
Exercised	**(235,139)**	**7.12**	**(3,501)**	**6.43**	**(1,902,989)**	**–**
Lapsed/forfeited	**(9,943)**	**9.27**	**(29,171)**	**6.80**	**(428,407)**	**–**
31 March 2014	**138,033**	**9.25**	**866,883**	**8.25**	**6,392,726**	**–**
Exercisable at:						
31 March 2014	**32,778**	**7.73**	**–**	**–**	**–**	**–**
31 March 2013	183,631	1.69	–	–	121,483	–

The weighted average share price of London Stock Exchange Group plc shares during the year was £16.08 (2013: £10.70).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	2014		2013	
	Number outstanding	Weighted average remaining contractual life	Number outstanding	Weighted average remaining contractual life
Share options				
Less than £7	–	–	153,935	0.3
Between £7 and £8	**10,506**	–	85,680	1.7
Between £8 and £9	**22,272**	–	29,696	0.5
More than £9	**105,255**	**0.5**	113,804	2.6
SAYE				
Less than £7	**439,487**	**0.5**	465,024	1.2
Between £8 and £9	**212,911**	**0.5**	220,046	1.0
More than £9	**214,485**	**0.7**	–	–
LTIP				
Nil	**6,392,726**	**1.3**	6,492,473	1.4
Total	**7,397,642**	**1.3**	7,560,658	1.6

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

	Performance Related Equity Plan				Matching Shares		Share Save Plan
	12 Jun 2013	12 Aug 2013	3 Sep 2013	5 Feb 2014	12 Jun 2013	30 Sep 2013	10 Jan 2014
Grant date share price	£13.45	£15.71	£15.74	£18.34	£13.45	£15.37	£17.99
Expected life	3 years	3 years	3 years	3.07 years	3 years	3 years	3 years
Exercise price	n/a	n/a	n/a	n/a	n/a	n/a	£12.64
Dividend yield	2.20%	1.90%	1.90%	1.60%	2.20%	1.90%	1.70%
Risk-free interest rate	0.70%	0.70%	0.90%	1.00%	0.70%	0.80%	1.10%
Volatility	30%	30%	30%	29%	30%	30%	30%
Fair value	–	–	–	–	–	–	6.06
Fair value TSR	£4.11	£5.06	£5.13	£6.05	£4.11	£4.98	–
Fair value EPS	£12.59	£14.84	£14.86	£17.48	£12.59	£14.49	–

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical three-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

Notes to the financial statements continued

31. Transactions with Related Parties

Key management compensation

Compensation for Directors of the Company and key personnel who have authority for planning, directing and controlling the Group:

	2014	2013
	£m	£m
Salaries and other short term benefits	**9.9**	8.9
Pensions	**0.9**	0.5
Share based payments	**10.7**	4.6
	21.5	14.0

Inter-company transactions with subsidiary undertakings

The Company has loan agreements with some subsidiary undertakings. Details as at 31 March 2014 are shown in the table below:

	Amount in millions due (owed to)/from as at 31 March				Interest in millions (charge) /credit	
Loan counterparty	2014	2013	Term	Interest rate as at 31 March 2014	2014	2013
London Stock Exchange plc	**£(181.1)m**	£(88.7)m	25 years from May 2006 with five equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	**£(5.0)m**	£(6.8)m
London Stock Exchange Employee Benefit Trust	**£13.2m**	£14.2m	Repayable on demand.	Non-interest bearing	**nil**	nil
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	**nil**	€450.0m	Five years from March 2009, repayable in full on maturity in March 2014.	EURIBOR plus 4.0% per annum	**nil**	€24.4m
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	**nil**	€94.5m	20 years from January 2008 with five equal repayments commencing in January 2024.	EURIBOR plus 1.2% per annum	**nil**	€2.6m
London Stock Exchange Group Holdings (Italy) Limited	**€(9.6)m**	nil	Fifth anniversary of the initial utilisation date which was April 2013.	LIBOR plus 1.5% per annum	**€0.1m**	nil
London Stock Exchange Group Holdings Limited	**£474.9m**	£463.6m	Fifth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	**£23.3m**	£22.1m
London Stock Exchange Group Holdings (R) Limited	**nil**	£(0.6)m	Fifth anniversary of the initial utilisation date which was April 2011.	LIBOR plus 1.5% per annum	**nil**	nil
Cassa di Compensazione e Garanzia S.p.A.	**nil**	nil	One year from initial utilisation date which was January 2012.	EURIBOR plus 1.2% per annum	**nil**	€(0.5)m
Monte Titoli S.p.A.	**nil**	€(31.9)m	One year from initial utilisation date which was January 2012, extended for further six months to July 2013.	EURIBOR plus 1.2% per annum	**€(0.2)m**	€(0.4)m
Societa Mercato Titoli di Stato S.p.A.	**nil**	€(22.2)m	One year from initial utilisation date which was 1 August 2013.	EURIBOR plus 1.2% per annum	**€(0.3)m**	€(0.2)m
LSE Reg Holdings Limited	**€0.2m**	nil	Fifth anniversary of the initial utilisation date which was December 2013.	EURIBOR plus 1.2% per annum	**nil**	nil
LSE Reg Holdings Limited	**£1.3m**	nil	Fifth anniversary of the initial utilisation date which was December 2013.	LIBOR plus 1.2% per annum	**nil**	nil
London Stock Exchange (C) Limited	**€49.8m**	€13.8m	Fifth anniversary of the initial utilisation date which was April 2012.	EURIBOR plus 1.5% per annum	**€0.8m**	€0.3m
London Stock Exchange (C) Limited	**£2.8m**	nil	Fifth anniversary of the initial utilisation date which was April 2012.	LIBOR plus 1.5% per annum	**nil**	nil

During the year the Company charged in respect of employee share schemes £5.0 million (2013: £8.0 million) to London Stock Exchange plc, £0.2 million (2013: nil) to London Stock Exchange Group Holdings Inc, £0.1 million (2013: nil) to London Stock Exchange (OV) Limited, £0.1 million (2013: nil) to UnaVista Limited, £2.7 million (2013: £2.8 million) to London Stock Exchange Group Holdings (Italy) Ltd, £1.0 million (2013: £0.7 million) to Millennium Information £2.0 million (2013: £1.2 million) to FTSE Group and £0.2 million (2013: nil) to LCH.Clearnet Group. The Company received dividends of £118.2 million (2013: €112,4 million) and €60.0 million (2013: €60.0 million) respectively from its subsidiaries London Stock Exchange plc and London Stock Exchange Group Holdings (Italy) Limited.

32. Other Statutory Information

Auditors' remuneration payable to PricewaterhouseCoopers LLP (PwC) and its associates comprise the following:

	2014	2013
	£m	£m
Audit of parent and consolidated financial statements	**0.5**	0.2
Audit of subsidiary companies	**1.1**	1.0
Audit related assurance services	**0.4**	0.4
Other non-audit services:		
– Taxation	**0.6**	0.2
– Corporate finance	**0.2**	0.6
– Other assurance services	**–**	0.1
Total expenses	**2.8**	2.5

Further details of the services provided by PwC are given in the Report of the Audit and Risk Committee on pages 68.

Directors' emoluments comprise the following:

	2014	2013
	£m	£m
Salary and fees	**3.4**	2.6
Performance bonus	**2.7**	2.6
Gains made on share awards	**4.8**	4.9
Benefits	**0.4**	0.3
	11.3	10.4
Contributions to defined contribution schemes	**0.7**	0.3
	12.0	10.7

During the year no Directors (2013: none) had retirement benefits accruing under defined contribution schemes and one Director (2013: one) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Remuneration Report on pages 70-97.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON STOCK EXCHANGE GROUP PLC

We have audited the financial statements of London Stock Exchange Group plc for the year ended 31 March 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Balance Sheets, the Cash Flow Statements, the Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement as set out on page 75, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2013 and of the Group's profit and the Group's and the parent Company's cash flows for the year then ended
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 50-56 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the parent Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 75, in relation to going concern
- the parts of the Corporate Governance Statement relating to the parent Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Alison Morris
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 May 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2013		2013			2012		
		Before acquisition amortisation and non-recurring items	Acquisition amortisation and non-recurring items	Total	Before acquisition amortisation and non-recurring items	Acquisition amortisation and non-recurring items	Total
Continuing operations	Notes	£m	£m	£m	£m	£m	£m
Revenue		**726.4**	**–**	**726.4**	679.8	–	679.8
Net treasury income through CCP business		**116.7**	**–**	**116.7**	126.9	–	126.9
Other income		**9.8**	**18.3**	**28.1**	8.1	–	8.1
Total income	4	**852.9**	**18.3**	**871.2**	814.8	–	814.8
Expenses							
Operating expenses	5	**(422.7)**	**(100.1)**	**(522.8)**	(378.8)	(81.0)	(459.8)
Share of profit after tax of joint ventures/associates		**–**	**–**	**–**	5.9	(2.4)	3.5
Operating profit/(loss)	7	**430.2**	**(81.8)**	**348.4**	441.9	(83.4)	358.5
(Loss)/profit on disposal/acquisition of shares in subsidiary and joint venture	7	**–**	**–**	**–**	(0.5)	324.3	323.8
Finance income		**14.5**	**–**	**14.5**	16.8	–	16.8
Finance expense		**(64.0)**	**–**	**(64.0)**	(57.6)	(1.8)	(59.4)
Net finance expense	8	**(49.5)**	**–**	**(49.5)**	(40.8)	(1.8)	(42.6)
Profit/(loss) before taxation		**380.7**	**(81.8)**	**298.9**	400.6	239.1	639.7
Taxation	9	**(95.7)**	**12.3**	**(83.4)**	(116.9)	8.6	(108.3)
Profit/(loss) for the financial year		**285.0**	**(69.5)**	**215.5**	283.7	247.7	531.4
Profit/(loss) attributable to non-controlling interests		**1.0**	**(2.5)**	**(1.5)**	12.4	(3.0)	9.4
Profit/(loss) attributable to equity holders		**284.0**	**(67.0)**	**217.0**	271.3	250.7	522.0
		285.0	**(69.5)**	**215.5**	283.7	247.7	531.4
Basic earnings per share	10			**80.4p**			193.6p
Diluted earnings per share	10			**79.0p**			190.9p
Adjusted basic earnings per share	10			**105.3p**			100.6p
Adjusted diluted earnings per share	10			**103.4p**			99.2p
Dividend per share in respect of the financial period:	11						
Dividend per share paid during the year				**28.7p**			27.3p
Dividend per share declared for the year				**29.5p**			28.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013	Notes	2013 £m	2012 £m
Profit for the financial year		**215.5**	531.4
Other comprehensive income/(loss):			
Defined benefit pension scheme actuarial loss	16	**(6.9)**	(47.6)
Cash flow hedge		**0.3**	–
Net investment hedge		**(1.9)**	15.6
Change in value of available for sale financial assets		**1.2**	–
Exchange gain/(loss) on translation of foreign operations		**19.2**	(75.7)
Tax related to items not recognised in income statement	9	**3.9**	12.7
		15.8	(95.0)
Total comprehensive income for the financial year		**231.3**	436.4
Attributable to non-controlling interests		**(0.6)**	9.5
Attributable to equity holders		**231.9**	426.9
		231.3	436.4

BALANCE SHEETS

31 March 2013	Notes	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Assets					
Non-current assets					
Property, plant and equipment	12	**80.1**	73.3	**–**	–
Intangible assets	13	**2,049.3**	2,117.4	**–**	–
Investments in associates		**0.6**	0.6	**–**	–
Investments in subsidiary undertakings	14	**–**	–	**3,779.1**	3,762.8
Deferred tax assets	15	**19.2**	16.8	**–**	–
Derivative financial instruments	18	**4.3**	5.2	**4.0**	5.2
Other non-current assets		**12.0**	0.7	**–**	–
		2,165.5	2,214.0	**3,783.1**	3,768.0
Current assets					
Inventories		**1.5**	2.0	**–**	–
Trade and other receivables	17	**185.7**	178.3	**579.4**	586.2
CCP financial assets		**137,620.2**	93,619.6	**–**	–
CCP cash and cash equivalents (restricted)		**8,476.2**	6,137.3	**–**	–
CCP clearing business assets	18	**146,096.4**	99,756.9	**–**	–
Current tax		**24.6**	41.8	**–**	10.6
Assets held at fair value	18	**6.1**	14.6	**–**	–
Cash and cash equivalents	19	**446.2**	216.0	**0.1**	0.2
		146,760.5	100,209.6	**579.5**	597.0
Assets held for sale		**–**	6.4	**–**	–
Total assets		**148,926.0**	102,430.0	**4,362.6**	4,365.0
Liabilities					
Current liabilities					
Trade and other payables	20	**230.0**	233.7	**160.9**	315.7
Derivative financial instruments	18	**0.1**	–	**–**	–
CCP clearing business liabilities	18	**146,088.1**	99,747.2	**–**	–
Current tax		**43.2**	72.5	**–**	–
Borrowings	21	**0.4**	10.5	**–**	–
Provisions	23	**1.1**	2.5	**–**	–
		146,362.9	100,066.4	**160.9**	315.7
Non-current liabilities					
Borrowings	21	**796.4**	746.6	**796.4**	746.6
Other non-current payables	20	**3.4**	3.8	**–**	–
Derivative financial instruments	18	**3.5**	2.1	**3.5**	2.1
Deferred tax liabilities	15	**109.0**	117.3	**–**	–
Retirement benefit obligation	16	**25.6**	16.5	**–**	–
Provisions	23	**26.2**	27.6	**–**	–
		964.1	913.9	**799.9**	748.7
Total liabilities		**147,327.0**	100,980.3	**960.8**	1,064.4
Net assets		**1,599.0**	1,449.7	**3,401.8**	3,300.6
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	24	**18.8**	18.8	**18.8**	18.8
Retained (losses)/earnings		**(126.8)**	(262.9)	**1,564.5**	1,463.3
Other reserves		**1,638.5**	1,620.9	**1,818.5**	1,818.5
Total shareholder funds		**1,530.5**	1,376.8	**3,401.8**	3,300.6
Non-controlling interests		**68.5**	72.9	**–**	–
Total equity		**1,599.0**	1,449.7	**3,401.8**	3,300.6

The financial statements on pages 77-109 were approved by the Board on 15 May 2013 and signed on its behalf by:

Xavier Rolet
Chief Executive

David Warren
Chief Financial Officer

CASH FLOW STATEMENTS

Year ended 31 March 2013		Group		Company	
		2013	2012	2013	2012
	Notes	£m	£m	£m	£m
Cash flow from operating activities					
Cash generated from/(absorbed by) operations	25	**487.5**	462.4	**0.1**	(22.4)
Interest received		**2.4**	3.5	**47.1**	27.8
Interest paid		**(43.2)**	(44.0)	**(51.9)**	(59.8)
Corporation tax paid		**(64.9)**	(73.4)	**24.9**	(8.3)
Withholding tax paid		**(39.3)**	(45.5)	**–**	–
Net cash inflow/(outflow) from operating activities		**342.5**	303.0	**20.2**	(62.7)
Cash flow from investing activities					
Purchase of property, plant and equipment		**(18.2)**	(17.1)	**–**	–
Purchase of intangible assets		**(28.2)**	(16.3)	**–**	–
Proceeds from disposal of joint venture		**–**	1.3	**–**	–
Investment in other acquisition		**(11.2)**	(15.0)	**–**	–
Investment in subsidiaries		**(3.1)**	(481.1)	**–**	(11.7)
Net cash inflow from acquisitions		**1.1**	7.6	**–**	–
Dividends received		**0.2**	1.8	**160.7**	201.3
Proceeds from sale of subsidiary		**–**	28.4	**–**	–
Proceeds from investment by non-controlling interest in subsidiary		**–**	4.3	**–**	–
Net cash (outflow)/inflow from investing activities		**(59.4)**	(486.1)	**160.7**	189.6
Cash flow from financing activities					
Dividends paid to shareholders		**(77.4)**	(73.6)	**(77.4)**	(73.6)
Dividends paid to non-controlling interests		**(4.3)**	(12.8)	**–**	–
Loans (to)/from ESOP trust		**–**	–	**(13.9)**	2.3
Loans to subsidiary companies		**–**	–	**(139.4)**	(303.8)
Purchase of own shares by ESOP Trust		**(13.9)**	–	**–**	–
Proceeds from own shares on exercise of employee share options		**0.3**	2.3	**0.3**	–
Proceeds from borrowings		**297.6**	248.5	**297.6**	247.6
Repayments from borrowings		**(257.8)**	(24.2)	**(247.8)**	–
Net cash (outflow)/inflow from financing activities		**(55.5)**	140.2	**(180.6)**	(127.5)
Increase/(decrease) in cash and cash equivalents		**227.6**	(42.9)	**0.3**	(0.6)
Cash and cash equivalents at beginning of year		**216.0**	267.0	**0.2**	0.8
Exchange gains/(losses) on cash and cash equivalents		**2.6**	(8.1)	**(0.4)**	–
Cash and cash equivalents at end of year		**446.2**	216.0	**0.1**	0.2

Group cash flow does not include cash and cash equivalents held by CC&G on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation. Interest on CCP balances is received by CC&G net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow for the Group, and is shown separately in the cash flow statement.

STATEMENTS OF CHANGES IN EQUITY

Group	Attributable to equity holders					
	Ordinary share capital £m	Retained loss £m	Other reserves £m	Total attributable to equity holders £m	Non-controlling interests £m	Total equity £m
1 April 2011	**18.8**	**(662.9)**	**1,681.0**	**1,036.9**	**100.1**	**1,137.0**
Total comprehensive income for the financial year	–	487.0	(60.1)	426.9	9.5	436.4
Final dividend relating to the year ended 31 March 2011	–	(48.5)	–	(48.5)	–	(48.5)
Interim dividend relating to the year ended 31 March 2012	–	(25.1)	–	(25.1)	–	(25.1)
Dividend payments to non-controlling interests	–	–	–	–	(11.3)	(11.3)
Employee share scheme expenses	–	14.1	–	14.1	–	14.1
Purchase of non-controlling interest	–	(27.5)	–	(27.5)	(25.4)	(52.9)
31 March 2012	**18.8**	**(262.9)**	**1,620.9**	**1,376.8**	**72.9**	**1,449.7**
Total comprehensive income for the financial year	**–**	**214.3**	**17.6**	**231.9**	**(0.6)**	**231.3**
Final dividend relating to the year ended 31 March 2012	**–**	**(51.2)**	**–**	**(51.2)**	**–**	**(51.2)**
Interim dividend relating to the year ended 31 March 2013	**–**	**(26.2)**	**–**	**(26.2)**	**–**	**(26.2)**
Dividend payments to non-controlling interests	**–**	**–**	**–**	**–**	**(3.8)**	**(3.8)**
Employee share scheme expenses	**–**	**(0.8)**	**–**	**(0.8)**	**–**	**(0.8)**
31 March 2013	**18.8**	**(126.8)**	**1,638.5**	**1,530.5**	**68.5**	**1,599.0**

Other reserves comprise the following:

Capital redemption reserve of £514.2m (2012: £514.2m), a non-distributable reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512.5)m (2012: £(512.5)m), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £353.3m (2012: £334.1m), reflecting the impact of foreign currency changes on the translation of foreign operations.

Merger reserve of £1,304.3m (2012: £1,304.3m), arising on consolidation when the Company issues shares as part of the consideration to acquire subsidiary undertakings.

Hedging reserve of £(20.8)m (2012: £(19.2)m), representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

Company	Attributable to equity holders				
			Other reserves		
	Ordinary share capital £m	Retained earnings £m	Capital redemption reserve £m	Merger reserve £m	Total attributable to equity holders £m
1 April 2011	**18.8**	**1,364.1**	**514.2**	**1,304.3**	**3,201.4**
Total comprehensive income for the financial year	–	163.1	–	–	163.1
Final dividend relating to the year ended 31 March 2011	–	(48.5)	–	–	(48.5)
Interim dividend relating to the year ended 31 March 2012	–	(25.1)	–	–	(25.1)
Employee share scheme expenses	–	9.7	–	–	9.7
31 March 2012	**18.8**	**1,463.3**	**514.2**	**1,304.3**	**3,300.6**
Total comprehensive income for the financial year	**–**	**176.2**	**–**	**–**	**176.2**
Final dividend relating to the year ended 31 March 2012	**–**	**(51.2)**	**–**	**–**	**(51.2)**
Interim dividend relating to the year ended 31 March 2013	**–**	**(26.2)**	**–**	**–**	**(26.2)**
Employee share scheme expenses	**–**	**2.4**	**–**	**–**	**2.4**
31 March 2013	**18.8**	**1,564.5**	**514.2**	**1,304.3**	**3,401.8**

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The Company's and Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value, including those of the central counterparty (CCP) clearing business of the Group's subsidiary Cassa di Compensazione e Garanzia S.p.A. (CC&G), and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before amortisation of purchased intangible assets and non-recurring items. This is the profit measure used to calculate adjusted earnings per share and is considered to be the most appropriate as it best reflects the Group's underlying, recurring cash earnings and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition amortisation, and non-recurring items is reconciled to profit before taxation on the face of the income statement.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's income for the year is disclosed within the statement of changes in equity.

Investments in associates are accounted for under the equity method. The Group's investments in associates are initially recognised at cost, and its share of profits or losses after tax from associates is included in the consolidated income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the Group's balance sheet. The financial statements of associates are used by the Group to apply the equity method, under which the Group's income statement reflects the Group's share of the results of operations of the associates. A company is considered an associate where the Group has a significant influence.

The acquisition of subsidiaries is accounted for using the purchase 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. 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.

Investments in subsidiaries are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

Recent accounting developments

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC and have been adopted in these financial statements:

Amendments to IFRS 1, 'First time adoption' – exemption for severe hyperinflation and removal of fixed dates;
Amendment to IFRS 7, 'Financial instruments: Disclosures' – disclosures on transfers of financial assets; and IFRS various Annual improvements 2012.

The adoption of these standards did not have a material impact on these consolidated financial statements.

The following standards and interpretations were issued by the IASB and IFRIC since the last Annual Report, but have not been adopted either because they were not endorsed by the European Union (EU) at 31 March 2013 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the Group does not expect any of these changes to have a material impact on the results or the net assets of the Group:

International accounting standards and interpretations	Effective date
Amendment to IAS 1, 'Presentation of financial statements' – presentation of items of other comprehensive income	1 July 2012
Amendment to IAS 12, 'Income taxes' – deferred to tax accounting for investment properties	1 January 2013
IAS 19 (revised) 'Employee benefits'	1 January 2013
Amendment to IFRS 7, 'Financial instruments: Disclosures'	1 January 2013
IFRS 10, 'Consolidated financial statements'	1 January 2013
IFRS 11, 'Joint arrangements'	1 January 2013
IFRS 12, 'Disclosure of interests in other entities'	1 January 2013
IFRS 13, 'Fair value measurement'	1 January 2013
IAS 32, 'Financial instruments: Presentation'	1 January 2014

Accounting policies

Income Statement

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is recognised in the period when the service or supply is provided. The sources of revenue are:

a) Maintenance contracts, membership and other fees – revenue is recognised on a straight-line basis over the period to which the fee relates

b) Admission fees – revenue is recognised at the time of admission to trading

c) Royalties – revenue is recognised at the earlier of cash receipt or the date at which they are earned or measurable with certainty

d) IT products – where there is no significant service obligation the revenue is recognised upon delivery and acceptance of the software or hardware by the customer

e) IT solutions – where software is sold requiring significant modification, integration or customisation, the consideration is allocated between the different elements on a fair value basis. Revenue is recognised using a percentage of completion method. The stage of completion is determined by reference to the costs incurred to date as a proportion of the total estimated costs or the services performed to date as a percentage of total services to be performed. Provision is made for all foreseeable future losses in the period in which they are identified

f) Software and Licence fees – revenue is recognised when the performance under the contract has occurred and the revenue has been earned; and

g) Other – all other revenue is recognised in the month in which the service is provided. In interim reports, Borsa Italiana group defers some of the income received from cash trading and FTSE MIB futures trading and clearing. This deferral results in revenues being recognised at the average price of transactions forecast for the full year, as pricing levels reduce during the year when incremental volume targets are achieved.

Non-recurring items
Items of income and expense that are material by size and/or nature and are non-recurring are classified as non-recurring items on the face of the income statement within their relevant category. The separate reporting of these items together with amortisation of purchased intangible assets helps give an indication of the Group's underlying performance.

Pension costs
The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense and the expected return on scheme assets and interest cost from unwinding of the discount on scheme obligations are included as finance income and finance expense respectively. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred.

Share based compensation
The Group operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

Foreign currencies
The consolidated financial statements are presented in sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Exceptions to this are where the non-monetary items form part of the net investment in a foreign operation or are designated as hedges of a net investment, or as cash flow hedges. Such exchange differences are initially recognised in equity.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate

b) income and expenses are translated and recorded in the income statement at the average monthly rates prevailing; and

c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Finance income and expense
Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial year.

Recurring fees and charges levied on committed bank facilities and the payments and cash management transactions and services provided by the Group's banks are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to protected utilisation. If a facility is deemed unlikely to be drawn over its life, the arrangement fees will be charged immediately to the income statement. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments includes the movement in the market valuations of derivative instruments held as fair value hedges.

Balance Sheet

Property, plant and equipment
Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Freehold buildings, fixed plant and plant and equipment are stated at cost and are depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets which are as follows:

a) Freehold buildings – 33 to 50 years

b) Fixed plant – five to 20 years; and

c) Plant and equipment – three to 15 years.

Leasehold properties and improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

The Group leases certain plant and equipment where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the liability so as to achieve a constant rate on the finance balance outstanding. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Due to the immaterial value of finance leases within the Group, they are not disclosed separately within the accounts.

Intangible assets

Goodwill arising on the acquisition of subsidiaries represents the excess of consideration paid over the fair value of the Group's share of net identifiable assets purchased. It is not amortised but is tested for impairment annually and when there are indications that the carrying value may not be recoverable, and is carried at cost less accumulated impairment losses.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives, which do not normally exceed 25 years or the term of the licence. The amortisation period and method are reviewed and adjusted, as appropriate, at each balance sheet date.

Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of three years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third party expenses, and amortised over useful economic lives of three years.

Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantially enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

Classification of financial assets

Financial assets (excluding clearing business)

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for liquidity purposes and are initially recognised at fair value and any subsequent changes in fair value are recognised directly in the income statement. These assets are financial instruments not designated as hedges.

b) Available-for-sale financial assets

Investments (other than term deposits and interests in joint ventures, associates and subsidiaries) are designated as available for sale and are recorded on trade date at fair value plus transaction costs with changes in fair value recognised in equity. Where the fair value is not reliably measurable, the investment is held at cost less any provision for impairment. Assets such as shares in clearing and payment transmission operations and long term equity investments that do not qualify as associates or joint ventures are usually classified as available for sale.

c) Loans and receivables

Loans and receivables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Financial assets and liabilities of the central counterparty (CCP) business

Assets and liabilities of the CCP clearing service relate to CC&G, the subsidiary that performs the CCP clearing business. CC&G clears financial derivatives, equities and bond transactions on Italian regulated markets, guaranteeing the successful receipt or delivery of securities for the transactions to be settled on both the sale and purchase side of transactions with the respective counterparties. It enters into a contractual arrangement in respect of each side of the transaction, bears the risk associated with counterparties failing to honour their obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete delivery of the appropriate securities. Accordingly, CC&G must record an asset and a liability on its balance sheet in respect of each of the sale and purchase sides of each transaction. However, except in respect of failed transactions CC&G as a CCP clearer does not bear any price risk and the value of the sale and purchase side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other.

Income recognised through the CCP clearing business includes net treasury income earned on margin and default funds, held as part of our risk management process, and is shown separately from the Group revenues. This amount has been shown separately on the face of the income statement to distinguish this income stream from revenues arising from the Group's other activities and provides the reader with a greater understanding of the operating activities of the Group.

Accounting treatments of CCP financial assets and liabilities include the following:

a) Derivatives, trading assets and liabilities

These transactions are initially recorded at fair value, which coincides with the market value of the open positions on the IDEM and IDEX derivatives markets in which CC&G operates as CCP, and are subsequently re-measured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no net fair value gains or losses are recognised in the income statement.

b) Receivables for and liabilities under repurchase transactions

These represent repurchase transactions (repos) by clearing members in the bond market using CC&G's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term. These transactions are initially recognised at fair value and are subsequently measured at amortised cost, by allocating the yield on the repo pro-rated over the duration of the contract (the coupon accrued in the period and the difference between the spot and forward prices). Since the asset and liability positions for repos are matched, the same amount is recorded for both assets and liabilities and no gain or loss is recorded in the income statement.

c) Other receivables from and payables to clearing members

These comprise accounts receivable and payable deriving from the activities of clearing members in derivatives, equities and bond transactions. They mainly represent amounts to be received or paid in relation to initial and variation margins, option premiums, securities as collateral and default fund contributions and are initially recorded at fair value. They are generally settled on the next day and, accordingly, are not discounted back to current value.

d) Financial assets and liabilities at fair value

These represent quoted equity and bond securities which CC&G has already withdrawn from the settlement system but has not yet delivered to the intermediaries who have bought them and securities traded but not yet settled as part of the CCP function. These are initially recognised at fair value and subsequently re-measured at fair value, based on the market price of each security. The difference between the settlement price of each security at trade date and the market price of that security at the period end is recognised as a fair value gain or loss in the income statement.

e) Cash and cash equivalents (restricted)

These include amounts received from clearing members to cover initial and variation margins and default fund contributions as collateral against default or insolvency and are deposited with banks. Such amounts are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method, if the time value of money is significant.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

The Group applies fair value hedge accounting for hedging interest risk on borrowings. Any gain or loss is recognised in the income statement within finance expenses.

The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

The Group hedges a proportion of its net investment in its Italian Companies by designating euro borrowings as a net investment hedge.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Trade receivables

Trade receivables are non-interest bearing and are stated at their fair value, which is usually the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or will be subject to a financial re-organisation and/or default on or be delinquent on its payment obligations are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, term deposits and investments in money market funds that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Borrowings

Bank borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is charged to the income statement over the period of the borrowings using the effective interest method. Similarly direct issue costs and transaction costs (including upfront facility fees) are charged to the income statement over the period of the borrowings using the effective interest rate method.

Share capital

The Company's own shares held by the Employee Benefit Trust are deducted from equity until they vest unconditionally for employees and are held at cost. Consideration paid in respect of these treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.

2. Financial risk management

The Group seeks to protect its financial performance from exposure to capital, credit, liquidity and market (including foreign exchange and fair value and cash flow interest rate) risks.

Financial risk management is not speculative. It is performed at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and also locally, where operating units manage regulatory and operational risks. The Financial Risk Committee (FRC), a sub-Committee of the Executive Committee, chaired by the Chief Financial Officer, meets monthly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-Committee of the FRC which is also chaired by the Chief Financial Officer, meets regularly to ensure that the operational management of foreign exchange, interest rates, credit risks and the investment of excess liquidity are performed in accordance with Group Board approved policies and procedures. See 'Principal Risk and Uncertainties, pages 42-47, for further detail on the Group's risk framework.

Capital risk

Risk description	Risk management approach
The Group incorporates a number of regulated entities within its structure. It considers that increases in the regulatory requirements of those companies (including any extension to the Group as a whole) and/or a scarcity of debt or equity (driven by its own performance or financial market conditions) are the principal risks to managing its capital. The Group is profitable and its capital base comprises equity capital and debt capital.	The Group focusses upon its overall cost of capital as it seeks to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining the flexibility to invest for growth is a key capital management consideration. The Group can manage its capital structure by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. To maintain the financial strength to access new capital at reasonable cost and meet its objective of maintaining an investment grade credit rating, the Group monitors its leverage ratio which is operating net debt (ie excluding cash and cash equivalents set aside for regulatory and operational purposes) to adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items) against a target range of 1-2 times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies (including gross debt to EBITDA and EBITDA coverage of interest expense) in considering increases to its borrowings. At 31 March 2013 net leverage was 1.2 times (2012: 1.4 times). Considering its recent investments, in particular the acquisition of a further 55.5 per cent of the shares of and subsequent subscription for additional capital in LCH.Clearnet Group, and the investment in the TMX Datalink JV, the Group's net leverage on a pro forma basis would have been a little above the top end of its target range at 2.1 times. Performance against the Group's bank facility ratio covenants (net leverage and debt service – ratio covenants that are unchanged during the financial year) remains very comfortable and does not inhibit the Group's operations or financing plans. As at 31 March 2013, £200 million of cash and cash equivalents was set aside to cover regulatory and operational requirements. This amount increased during the year primarily as a result of an agreement with the regulators of CC&G, Bank of Italy, to retain earnings and associated cash in that company to meet forthcoming regulatory requirements under EMIR. The level of cash set aside by the Group remains subject to on-going review with regulators in the UK and Italy including the potential to vary the amounts set aside, in particular, given the implications on cash holdings of the FCA's requirement that LSE plc recognises profit in its regulatory capital calculation only upon external audit sign off.

Credit risk

Risk description	Risk management approach
CC&G, in its role as central counterparty clearer to Italian financial market participants, guarantees final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. It manages substantial credit risks as part of its operations. For more information see 'Principal Risk and Uncertainties', pages 42-47. Notwithstanding revised regulations in Europe that will require CCPs to invest 95 per cent of their cash collateral in secured instruments or structures, to maintain liquidity (and in addition to the potential to deposit cash securely with the central bank), CC&G will continue to invest the balance of up to five per cent of its margin and default fund cash unsecured, within the Italian financial market, with banks regulated by Bank of Italy. Whilst the five per cent threshold of un-secured investment will considerably reduce its credit risk, it will continue to face the risk of direct loss from a deterioration or failure of one or more of these unsecured deposit counterparties. Furthermore, to cover the risk of trades executed by its members on international markets, CC&G has an interoperability arrangement with LCH.Clearnet SA, based in Paris. CC&G will make reciprocal deposits of collateral to reflect the traded positions of Italian participants under this arrangement and therefore will be exposed to credit risk on LCH.Clearnet SA as a deposit counterparty. More broadly, credit risk relates to the Group's customers and counterparties being unable to meet their obligations to the Group either in part or in full, including: — customer receivables — repayment of invested cash and cash equivalents — settlement of derivative financial instruments	**CC&G** To address the market participant risk, CC&G has established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed at least daily, to cover the theoretical costs which CC&G would incur in order to close out open positions in the event of the member's default. Margins are calculated using established international risk models and are debited by CC&G directly from participants' accounts held with Bank of Italy. Clearing members also contribute to default funds managed by CC&G to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by CC&G's risk committee and exceed standards agreed by the European Association of Central Counterparty Clearing Houses. To date, no default of a direct participant has occurred. Deposit counterparty risk for CC&G margin and default funds is managed by investing cash with counterparties that are rated investment grade or who, if not rated, are publicly quoted and have a minimum level of capital. CC&G liaises closely with the regulator of its counterparty banks, Bank of Italy, and to ensure liquidity, funds are generally placed as overnight deposits and in all cases can be accessed within 2 business days if required. During the year we have further extended the number of counterparties that take CC&G's deposits to diversify this risk including the introduction of Italian-based branches of major international banks. To mitigate the price risks associated with certain secured investments CC&G will, working with its regulator, consider increasing the levels of security it receives, linked to these investments. Associated liquidity risks are considered in the investment mix and discussed further in the section below. Group Credit risk is controlled through policies developed at a Group level. Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, a low concentration of credit risk across a large number of customers, the recurring nature of the billing and collection arrangements and, historically, a low incidence of default. Credit risk of cash and cash equivalents is managed by limiting the exposure to up to £50 million for 12 months with counterparties rated long term AAA (or equivalent) through to a maximum £10 million overnight with counterparties rated short term A-2 (or equivalent). Derivative transactions are undertaken with well-capitalised counterparties, authorised by policy, to limit the credit risk underlying these transactions. The Group maintains a heightened focus on sovereign risk in its counterparty selection.

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk

Risk description	Risk management approach
The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations. In addition, CC&G and certain other subsidiary companies are required to maintain a level of liquidity to meet the requirements of their regulators to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market or member stress.	Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, support acquisitions or repay borrowings. Funds can generally be lent across the Group without limitation (other than by regulatory requirements in certain companies) and this is encouraged through the Group Treasury cash management policy and approach. Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to at least cover its expected funding requirements for the next 24 months. The financial strength of lenders to the Group is monitored regularly. During the year, a new, nine year, £300m bond was issued to UK retail market investors to underpin liquidity resources. The bond extended the Group's average drawn debt maturity profile to over six years and frees up its revolving credit facilities to support the proposed acquisition of LCH.Clearnet Group and to provide comfortable facility headroom over the medium term. At 31 March 2013, the Group's facilities were unutilised and totalled £850 million. CC&G maintains cash and cash equivalents and has access to bespoke committed and uncommitted lines of credit with intra-day financing from the Bank of Italy to meet the cash requirements of the clearing and settlement cycle that it manages in association with Monte Titoli. Revised regulations will require CCPs to arrange appropriate levels of back up liquidity facilities (including enhanced liquidity support facilities at the central bank) that adequately support the dynamics of a largely secured cash investment requirement (see Credit Risk section above). In addition to CC&G's requirements, certain Group companies maintain operational support facilities from banks to manage intraday and overnight liquidity. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2013	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	**0.4**	**–**	**499.2**	**297.2**
Trade and other payables	**230.0**	**3.2**	**0.2**	**–**
CCP liabilities	**146,088.1**	**–**	**–**	**–**
Derivative financial instruments	**0.1**	**–**	**1.1**	**2.4**
	146,318.6	**3.2**	**500.5**	**299.6**

At 31 March 2012	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	10.5	235.7	263.2	247.7
Trade and other payables	237.5	–	–	–
CCP liabilities	99,747.2	–	–	–
Derivative financial instruments	–	–	0.1	2.0
	99,995.2	235.7	263.3	249.7

Market risk – Foreign Exchange

Risk description	Risk management approach
The Group operates in the UK, Italy and Sri Lanka and, through its FTSE International Limited subsidiary, has growing businesses in the USA and Asia. With the exception of MillenniumIT, which invoices a material proportion of its revenues in US dollars, Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, sterling, and from occasional, large intercompany transactions. The Group faces less significant foreign exchange exposures from transaction risk on dividends that are remitted in currencies other than the currency of the recipient operation. However, the Group may be exposed from time to time by strategic investments in currencies other than sterling.	The Group seeks, where it can, to match the currency of its debt liabilities with its EBITDA generation in the same currency whilst endeavouring to balance the currency of its assets with the currency of its liabilities. The Group reinforces this methodology by regularly distributing its currency cash earnings in dividends and by absorbing currency earnings through interest payments on sterling debt, re-denominated through the use of cross-currency swaps or by drawing debt in the same currency, where this is practicable. A proportion of the Group's debt is effectively held in euro. At 31 March 2013, £255.5 million (2012: £250.2 million) of this was designated as a hedge of the net investment in the Italian Group and a profit of £5.7 million for the financial year (2012: loss of £27.8 million) on foreign currency borrowings was recognised in equity. The hedge was fully effective. Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy which requires that cash flows of more than £1 million or equivalent per annum should be hedged. Hedge accounting is considered in each case to mitigate material levels of income statement volatility. The Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 March 2013, the Group has considered movements in the euro over the last year including recent volatility affecting this currency and has concluded that a 10 per cent movement in rates is a reasonable level to measure the risk to the Group. At 31 March 2013, if sterling had weakened/strengthened by 10 per cent against the euro with all other variables held constant, post tax profit for the year would have been £0.4 million higher/£0.3 million lower (2012: £0.3 million higher/£0.3 million lower); however, equity would have been £5.7 million lower (2012: £14.4 million lower)/£7.0 million higher (2012: £8.6 million higher). This reflects foreign exchange gains/losses on translation of euro denominated trade receivables, financial assets at fair value through profit or loss and of euro denominated borrowings. If, on the other hand, the average £/€ rate for the year had moved €5c, this would have changed the Group's operating profit for the year before amortisation of purchased intangibles and non-recurring items by approximately £9.0 million.

Market risk – Cash Flow and Fair Value Interest Rate Risk

Risk description	Risk management approach
The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates.	To provide a degree of income statement stability, the Group seeks to maintain a proportion of its net debt at fixed rates of interest over the medium term. The Group has issued a significant amount of its debt at fixed rates of interest with the floating rate element being repaid as the Group generates cash. As at 31 March 2013, following the issue of the £300m fixed rate retail bond in November 2012 and strong cash generation during the year, fixed rate borrowings represent 227 per cent of net debt. During the year, the Group considered swapping a portion of its fixed rate debt into floating rates but did not execute any transactions due to a preference to increase floating rate borrowings naturally through imminent strategic investments (for example the proposed acquisition of LCH.Clearnet Group). This position was maintained based on a view that the risk of rates moving materially lower was limited and given the protection an over-fixed rate profile gives should rates increase. The interest rates objective will continue to be reviewed as the Group moves through its rates re-positioning following the completion of the above acquisition. In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 2 percentage point upward movement (and no downward movement) reflects a reasonable level of risk to current rates. At 31 March 2013, if interest rates on sterling-denominated and euro-denominated cash and borrowings had been 2 percentage points higher with all other variables held constant, post-tax profit for the year would actually have been £6.3 million higher (2012: £1.5 million lower) mainly as a result of higher interest income on floating rate cash and cash equivalents.

3. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant judgements and estimates for the year ended 31 March 2013 are as follows:

Goodwill – tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by shareholders to determine an appropriate discount rate. Sensitivity analysis is provided in note 13;

Purchased intangible assets – valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised;

Defined benefit pension asset or liability – determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. Sensitivity analysis is provided in note 16;

Property provision – determined taking into consideration future expected receipts from sub-letting and future property costs based on advice from independent property advisers; and

Corporation taxes – estimates are required in determining the provision for corporation taxes. The Group recognises liabilities for the estimated tax charge at the period end and where the final tax liability is different from that estimate, such differences are reflected in the period in which such determination is made.

4. Segmental Information

Segmental disclosures for the year ended 31 March 2013 are as follows:

	Capital Markets	Post Trade Services	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	**267.5**	**91.8**	**306.3**	**56.1**	**4.7**	**–**	**726.4**
Inter-segmental revenue	**–**		**–**	**21.3**	**–**	**(21.3)**	**–**
Revenue	**267.5**	**91.8**	**306.3**	**77.4**	**4.7**	**(21.3)**	**726.4**
Net treasury income through CCP business	**–**	**116.7**	**–**	**–**	**–**	**–**	**116.7**
Other Income	**–**	**–**	**–**	**–**	**9.8**	**–**	**9.8**
Other non-recurring income	**–**	**–**	**–**	**–**	**18.3**	**–**	**18.3**
Total income	**267.5**	**208.5**	**306.3**	**77.4**	**32.8**	**(21.3)**	**871.2**
Operating profit before amortisation of purchased intangible assets and non-recurring items	**124.4**	**146.7**	**153.9**	**5.5**	**0.5**	**(0.8)**	**430.2**
Amortisation of purchased intangible assets							**(88.8)**
Non-recurring items							**7.0**
Operating profit							**348.4**
Net finance expense							**(49.5)**
Profit before taxation							**298.9**
Other income statement items:							
Depreciation and software amortisation	**(27.8)**	**(5.6)**	**(14.5)**	**(4.6)**	**(0.5)**	**12.6**	**(40.4)**

Net treasury income through CCP business of £116.7m comprises gross interest income of £128.9m less gross interest expense of £12.2m. Interest from investment in securities amount to £12.5m.

Comparative segmental disclosures for the year ended 31 March 2012 are as follows:

	Capital Markets	Post Trade Services	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	301.9	101.6	218.9	52.6	4.8	–	679.8
Inter-segmental revenue	–	–	–	12.9	–	(12.9)	–
Revenue	301.9	101.6	218.9	65.5	4.8	(12.9)	679.8
Net treasury income through CCP business	–	126.9	–	–	–	–	126.9
Other Income	–	–	–	–	8.1	–	8.1
Total income	301.9	228.5	218.9	65.5	12.9	(12.9)	814.8
Operating profit before amortisation of purchased intangible assets and non-recurring items	138.9	169.0	125.0	1.8	0.1	7.1	441.9
Amortisation of purchased intangible assets							(54.9)
Non-recurring items							(28.5)
Operating profit							358.5
Profit on disposal/acquisition of shares in subsidiary and joint ventures							323.8
Net finance expense							(42.6)
Profit before taxation							639.7
Other income statement items:							
Depreciation and software amortisation	(24.7)	(5.0)	(8.7)	(1.6)	(0.4)	–	(40.4)
Share of (loss)/profit after tax of joint ventures/associates	(1.4)	–	7.3	–	–	–	5.9

Net treasury income through CCP business of £126.9m comprises gross interest income of £964.2m less gross interest expense of £837.3m. Included within both gross interest income and gross interest expense is £767.3m relating to repo transactions; net of repo transactions gross interest income was £196.9m and gross interest expense was £70.0m.

Geographical disclosure

	2013 £m	2012 £m
Revenue		
UK	**325.3**	338.2
Italy	**132.5**	166.9
Other	**268.6**	174.7
Total	**726.4**	679.8

Revenue is allocated based on the country in which the customer is located.

	2013 £m	2012 £m
Total assets		
UK	**1,300.1**	1,198.5
Italy	**147,596.9**	101,212.6
Other	**28.4**	18.5
Total	**148,925.4**	102,429.6
Associates – Italy	**0.6**	0.4
Total	**148,926.0**	102,430.0

5. Expenses by nature

Expenses comprise the following:

	2013 £m	2012 £m
Cost of sales	**60.0**	45.8
Employee costs	**167.3**	151.4
Depreciation and non-acquisition software amortisation	**40.4**	40.4
Amortisation of purchased intangibles assets and non-recurring costs	**100.1**	81.0
IT costs	**64.5**	67.7
Other costs	**90.5**	73.5
Total expenses	**522.8**	459.8

Foreign exchange gains or losses included in the income statement are immaterial.

6. Employee costs

Employee costs comprise the following:

	Notes	2013 £m	2012 £m
Salaries and other short term benefits		**128.1**	115.8
Social security costs		**19.2**	16.6
Pension costs	16	**7.5**	6.9
Share based compensation	28	**12.5**	12.1
Total		**167.3**	151.4

The number of employees in the Group was:

	2013		2012	
	Average	Year end	Average	Year end
UK	**753**	**752**	760	746
Italy	**428**	**461**	422	416
Sri Lanka	**654**	**668**	615	655
Other	**127**	**132**	119	120
	1,962	**2,013**	1,916	1,937

The Company has no employees.

Average is calculated from date of acquisition of the subsidiary company by the Group.

NOTES TO THE FINANCIAL STATEMENTS

7. Amortisation of purchased intangible assets and non-recurring items

	Notes	2013 £m	2012 £m
Amortisation of purchased intangible assets	13	**88.8**	54.9
Transaction (credits)/costs		**(10.7)**	23.4
Restructuring costs		**3.7**	–
Property costs		**–**	2.7
Revaluation on acquisition within joint ventures		**–**	2.4
Total affecting operating profit		**81.8**	83.4
Profit on acquisition/disposal of shares in subsidiary		**–**	(324.3)
Charge for new transaction related revolving credit facility		**–**	1.8
Total affecting profit before tax		**81.8**	(239.1)
Tax effect on items affecting profit before tax			
Deferred tax on amortisation of purchased intangible assets		**(9.1)**	(5.9)
Current tax on amortisation of purchased intangible assets		**(2.2)**	(0.7)
Tax effect on other items affecting profit before tax		**(1.0)**	(2.0)
Total tax effect on items affecting profit before tax		**(12.3)**	(8.6)
Total charge/(credit) to income statement		**69.5**	(247.7)

Transaction costs comprise charges incurred for ongoing services related to potential or completed acquisitions net of C$29m (£18.3m) received from TMX Group following the termination of the 2010 merger agreement. Restructuring costs primarily relate to the integration of the FTSE business.

8. Net finance expense

	Notes	2013 £m	2012 £m
Finance income			
Expected return on defined benefit pension scheme assets	16	**11.8**	13.1
Bank deposit and other interest income		**2.4**	3.6
Other finance income		**0.3**	0.1
		14.5	16.8
Finance expense			
Interest payable on bank and other borrowings		**(48.2)**	(40.6)
Defined benefit pension scheme interest cost	16	**(13.8)**	(13.8)
Other finance expenses		**(2.0)**	(3.2)
Non-recurring credit facility arrangement fees		**–**	(1.8)
		(64.0)	(59.4)
Net finance expense		**(49.5)**	(42.6)

9. Taxation

The standard UK corporation tax rate was 24 per cent (26 per cent for the year ended 31 March 2012).

Taxation charged to the income statement	Notes	2013 £m	2012 £m
Current tax:			
UK corporation tax for the year		**30.5**	28.6
Overseas tax for the year		**78.6**	89.1
Adjustments in respect of previous years		**(16.4)**	1.8
		92.7	119.5
Deferred tax:	15		
Deferred tax for the year		**0.3**	0.2
Adjustments in respect of previous years		**(0.5)**	(5.5)
Deferred tax liability on amortisation of purchased intangible assets		**(9.1)**	(5.9)
Taxation charge		**83.4**	108.3

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 credited/(charged) to income statement	2013 £m	2012 £m
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	**2.0**	0.3
Deferred tax (loss)/credit:		
Defined benefit pension scheme actuarial loss	**1.7**	12.5
Tax allowance on share options/awards in excess of expense recognised	**0.5**	0.5
Movement in value of available for sale financial assets	**(0.4)**	–
Adjustments relating to change in UK tax rate	**0.1**	(0.6)
	3.9	12.7

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 as explained below:

	2013 £m	2012 £m
Profit before taxation	**298.9**	639.7
Profit multiplied by standard rate of corporation tax in the UK	**71.7**	166.3
Profit on disposal/acquisition of shares in subsidiary	**–**	(84.3)
(Income not taxable)/expenses not deductible	**(2.2)**	1.7
Share of joint venture and associates consolidated at profit after tax	**–**	(0.9)
Adjustment arising from change in UK tax rate	**0.7**	–
Overseas earnings taxed at higher rate	**17.7**	21.6
Adjustments in respect of previous years	**(16.8)**	(3.8)
Amortisation of purchased intangibles	**12.3**	7.7
Taxation charge	**83.4**	108.3

10. Earnings per share

Earnings per share is presented on four bases: basic earnings per share; diluted earnings per share; adjusted basic earnings per share; and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation of purchased intangible assets and non-recurring items to enable a better comparison of the underlying earnings of the business with prior periods.

	2013	2012
Basic earnings per share	**80.4p**	193.6p
Diluted earnings per share	**79.0p**	190.9p
Adjusted basic earnings per share	**105.3p**	100.6p
Adjusted diluted earnings per share	**103.4p**	99.2p

	£m	£m
Profit for the financial year attributable to equity holders	**217.0**	522.0
Adjustments:		
Amortisation of purchased intangible assets	**88.8**	54.9
Transaction (credits)/costs	**(10.7)**	23.4
Restructuring costs	**3.7**	–
Property costs	**–**	2.7
Revaluation on acquisition within joint ventures	**–**	2.4
Profit on disposal/acquisition of shares in subsidiary	**–**	(324.3)
Charge for new revolving credit facility	**–**	1.8
Tax effect of amortisation and non-recurring items	**(12.3)**	(8.6)
Non-recurring items, amortisation and taxation attributable to non-controlling interests	**(2.5)**	(3.0)
Adjusted profit for the financial year attributable to equity holders	**284.0**	271.3
Weighted average number of shares – million	**269.8**	269.6
Effect of dilutive share options and awards – million	**4.8**	3.8
Diluted weighted average number of shares – million	**274.6**	273.4

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

11. Dividends

	2013 £m	2012 £m
Final dividend for 2012 paid 20 August 2012: 19.0p per Ordinary share (2011: 18.0p)	**51.2**	48.5
Interim dividend for 2013 paid 7 January 2013 9.7p per Ordinary share (2012: 9.3p)	**26.2**	25.1
	77.4	73.6

The Board has proposed a final dividend in respect of the year ended 31 March 2013 of 19.8p, per share, which is estimated to amount to £53.4m, to be paid on 19 August 2013.

12. Property, plant and equipment

	Land & Buildings Freehold £m	Land & Buildings Leasehold £m	Plant and equipment £m	Total £m
Cost:				
1 April 2011	46.9	41.1	77.9	165.9
Additions	–	0.1	22.4	22.5
Foreign exchange	(0.3)	–	(2.7)	(3.0)
Acquisition of subsidiaries	–	2.0	3.8	5.8
Disposals	(0.3)	(3.2)	(4.5)	(8.0)
31 March 2012	46.3	40.0	96.9	183.2
Additions	**0.4**	**–**	**17.6**	**18.0**
Foreign exchange	**0.4**	**0.1**	**0.7**	**1.2**
Acquisition of subsidiaries	**–**	**–**	**0.1**	**0.1**
Reclassification from Held for Sale	**6.3**	**–**	**–**	**6.3**
Disposals	**–**	**(0.1)**	**(8.1)**	**(8.2)**
31 March 2013	**53.4**	**40.0**	**107.2**	**200.6**
Depreciation:				
1 April 2011	27.4	29.2	46.9	103.5
Charge for the year	1.3	3.1	11.5	15.9
Foreign exchange	(0.6)	–	(1.0)	(1.6)
Disposals	(0.3)	(3.2)	(4.4)	(7.9)
31 March 2012	27.8	29.1	53.0	109.9
Charge for the year	**0.3**	**2.1**	**15.2**	**17.6**
Foreign exchange	**–**	**0.1**	**0.3**	**0.4**
Disposals	**–**	**–**	**(7.4)**	**(7.4)**
31 March 2013	**28.1**	**31.3**	**61.1**	**120.5**
Net book values:				
31 March 2013	**25.3**	**8.7**	**46.1**	**80.1**
31 March 2012	18.5	10.9	43.9	73.3

The Company has no property, plant and equipment.

13. Intangible assets

	Goodwill	Purchased intangible assets: Customer and supplier relationships	Purchased intangible assets: Brands	Purchased intangible assets: Software, licenses and intellectual property	Software	Total
	£m	£m	£m	£m	£m	£m
Cost:						
1 April 2011	1,177.7	672.0	11.0	121.5	225.2	2,207.4
Additions	–	16.2	–	–	16.0	32.2
Acquisition of subsidiaries	75.6	309.5	226.5	228.3	5.1	845.0
Disposals	–	–	–	–	(24.8)	(24.8)
Foreign exchange	(64.4)	(38.2)	(0.7)	(7.4)	(2.5)	(113.2)
31 March 2012	1,188.9	959.5	236.8	342.4	219.0	2,946.6
Additions	**1.1**	**–**	**–**	**–**	**21.3**	**22.4**
Acquisition of subsidiaries	**4.1**	**–**	**–**	**–**	**0.5**	**4.6**
Disposals	**–**	**–**	**–**	**–**	**(84.4)**	**(84.4)**
Foreign exchange	**17.8**	**8.7**	**0.2**	**2.2**	**1.3**	**30.2**
31 March 2013	**1,211.9**	**968.2**	**237.0**	**344.6**	**157.7**	**2,919.4**
Amortisation and accumulated impairment:						
1 April 2011	461.4	106.6	3.9	66.2	174.9	813.0
Amortisation charge for the year	–	36.2	3.7	15.0	23.7	78.6
Disposals	–	–	–	–	(24.8)	(24.8)
Foreign exchange	(24.1)	(7.0)	(0.3)	(4.7)	(1.5)	(37.6)
31 March 2012	437.3	135.8	7.3	76.5	172.3	829.2
Amortisation charge for the year	**–**	**49.5**	**10.0**	**29.3**	**22.8**	**111.6**
Disposals	**–**	**–**	**–**	**–**	**(84.4)**	**(84.4)**
Foreign exchange	**8.3**	**2.9**	**0.1**	**1.7**	**0.7**	**13.7**
31 March 2013	**445.6**	**188.2**	**17.4**	**107.5**	**111.4**	**870.1**
Net book values:						
31 March 2013	**766.3**	**780.0**	**219.6**	**237.1**	**46.3**	**2,049.3**
31 March 2012	751.6	823.7	229.5	265.9	46.7	2,117.4

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, FTSE Group, MillenniumIT and Turquoise. The Company has no intangible assets.

The addition of £1.1m goodwill arose during the year as a result of the finalisation of the fair value of acquired assets for FTSE Group.

The acquisition of GATElab Srl during the year resulted in goodwill in the Group of £4.1m in the year. This value is preliminary and will be finalised during the following year.

Impairment tests for goodwill
Goodwill has been allocated for impairment testing purposes to the 11 cash generating units (CGUs) shown in the table below.

The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by management covering the five year period ending 31 March 2018. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below.

	Net book value of goodwill					
	31 March 2012	Additions	Acquisitions of subsidiaries	Foreign exchange	31 March 2013	Pre-tax discount rate used in value in use calculations
	£m	£m	£m	£m	£m	£m
Italian group:						
Issuer	18.3	–	–	0.3	**18.6**	12.0%
Equities Trading	61.7	–	–	0.9	**62.6**	12.0%
Derivatives Trading	27.6	–	–	0.4	**28.0**	12.1%
Fixed Income Trading	69.7	–	–	1.0	**70.7**	12.2%
Information Services	114.4	–	–	1.5	**115.9**	12.2%
Technology Services	13.5	–	4.1	0.2	**17.8**	11.9%
Post Trade Services	362.0	–	–	5.0	**367.0**	12.3%
MillenniumIT:						
Software	0.7	–	–	0.1	**0.8**	20.3%
Enterprise Service Provider	0.7	–	–	0.1	**0.8**	15.8%
Turquoise	7.4	–	–	–	**7.4**	13.7%
FTSE Group	75.6	1.1	–	–	**76.7**	12.9%
	751.6	**1.1**	**4.1**	**9.5**	**766.3**	

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short and medium term revenue and cost growth assumptions reflect current trends, anticipated market developments, discussions with customers and suppliers, and management's experience, taking account of an expected recovery in underlying financial markets.

Long term growth rates (assumed to be 2.1 per cent for each of the Italian CGUs, 7.0 and 14.5 per cent for MillenniumIT's Software and Enterprise Service Provider CGUs respectively, and 2.3 per cent for Turquoise and the FTSE Group) represent management's internal forecasts based on external estimates of GDP and inflation for the 14 year period 1 January 2004 to 31 December 2017, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, Sri Lanka and the UK as appropriate, the Group's estimated market risk premium and a premium to reflect the inherent risks of each of the CGUs.

Based on the results of the impairment tests performed, management believes there is no impairment of the carrying value of the goodwill in any CGU. In addition, no impairment of the Company's investments in subsidiary undertakings referred to in note 14 was considered necessary.

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Value in use calculations for each CGU are sensitive to changes in short and medium term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates. The impact on value in use of a change in these assumptions is shown below:

		Impact on value in use of:			
	Excess of value in use over carrying value	5% reduction in revenues	5% increase in costs	0.5% reduction in long term growth rate	0.5% increase in pre-tax discount rate
Cash generating unit	£m	£m	£m	£m	£m
Italian group:					
Issuer	47.4	10.9	5.0	6.1	5.7
Equities Trading	30.5	20.7	10.6	10.4	9.6
Derivatives Trading	65.9	9.5	3.7	6.0	5.5
Fixed Income Trading	30.5	35.4	21.9	14.2	13.1
Information Services	133.6	27.5	10.5	16.8	15.3
Technology Services	32.2	11.4	8.4	2.8	2.7
Post Trade Services	584.8	84.8	25.8	58.1	52.2

Management believes goodwill allocated to the FTSE Group, MillenniumIT and Turquoise CGUs is unlikely to be materially impaired under any reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 March 2013. Revenue and cost sensitivities assume a five per cent change in revenues or costs for each of the five years in the value in use calculations.

14. Investment in subsidiary undertakings

	Shares	Loans	Total
Company	£m	£m	£m
1 April 2011	3,422.3	337.4	3,759.7
Subscription for further shares in London Stock Exchange Group Holdings (R) Ltd	11.7	–	11.7
Other movements during the year	–	(8.6)	(8.6)
31 March 2012	3,434.0	328.8	3,762.8
Other movements during the year	–	16.3	16.3
31 March 2013	**3,434.0**	**345.1**	**3,779.1**

Principal subsidiaries:	Principal activity	Country of incorporation	Country of principal operations	% equity and votes held
Held directly by the Company:				
London Stock Exchange plc	Recognised investment exchange	UK	UK	100
Held indirectly by the Company:				
BIt Market Services S.p.A.	Retail information services & market technology	Italy	Italy	99.99
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.99
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	Italy	Italy	99.99
FTSE International Ltd	Market indices provider	UK	UK	100
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.80
MillenniumIT Software (Private) Ltd	IT solutions provider	Sri Lanka	Sri Lanka	100
Proquote Ltd	Market data provider	UK	UK	100
Societa per il Mercato dei Titoli di Stato S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.37
Turquoise Global Holdings Ltd	Multi-lateral trading facility	UK	UK	51.36

On 14 December 2012, the Group acquired 67 per cent of the issued equity of GATElab Srl for a total consideration of €5.8m.

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries will be annexed to the next annual return of London Stock Exchange Group plc.

15. Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below.

Group	Accelerated tax depreciation £m	Acquisition deferred tax and amortisation £m	Provisions and other temporary differences £m	Total £m
1 April 2011	(1.7)	(79.3)	0.9	(80.1)
Tax credited to the income statement:	3.8	5.9	1.5	11.2
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme actuarial loss	–	–	12.2	12.2
– allowance on share options/awards	–	–	0.2	0.2
– foreign exchange	(0.1)	4.5	–	4.4
Balance sheet transfer of pre-acquisition balances	–	(48.4)	–	(48.4)
31 March 2012	2.0	(117.3)	14.8	(100.5)
Tax (charged)/credited to the income statement:	**(0.4)**	**9.1**	**0.6**	**9.3**
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme actuarial loss	**–**	**–**	**1.6**	**1.6**
– allowance on share options/awards	**–**	**–**	**0.6**	**0.6**
– movement in value of available for sale financial assets	**–**	**–**	**(0.4)**	**(0.4)**
– foreign exchange	**–**	**(0.4)**	**–**	**(0.4)**
31 March 2013	**1.6**	**(108.6)**	**17.2**	**(89.8)**
Assets at 31 March 2013	**1.6**	**–**	**17.6**	**19.2**
Liabilities at 31 March 2013	**–**	**(108.6)**	**(0.4)**	**(109.0)**
Net assets/(liabilities) at 31 March 2013	**1.6**	**(108.6)**	**17.2**	**(89.8)**
Assets at 31 March 2012	2.0	–	14.8	16.8
Liabilities at 31 March 2012	–	(117.3)	–	(117.3)
Net (liabilities)/assets at 31 March 2012	2.0	(117.3)	14.8	(100.5)

The deferred tax assets are recoverable against future taxable profits and are due after more than one year.

The purchased intangible assets of the Italian group create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £57m (2012: £56m) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company.

16. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Group in a separate trustee administered fund and the funds are primarily managed by Schroder Investment Management Limited, Legal & General Investment Management Limited, PIMCO Europe Limited and Aviva Investors during the year.

The 'Other plans' relate to the severance and leaving indemnity scheme Trattamento di Fine Rapporto (TFR) operated by the Italian group in accordance with Italian law and the employee benefit and retirement plan operated by MillenniumIT.

The Company has no retirement benefit obligations.

The only scheme operated by FTSE International is a defined contribution scheme.

Defined benefit schemes

The UK defined benefit scheme was a non-contributory scheme and closed to new members in 1999. With effect from 31 March 2012, the scheme also closed to accrual of future benefits for active members and it has been agreed that the benefits for affected members will remain linked to their salary with the Group.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

The TFR operated by the Italian group is classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91 per cent of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75 per cent of 'national life price index +1.5 per cent' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as a defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than five years, he or she is entitled to a payment equivalent to half a month's gross salary multiplied by the number of years in service at MillenniumIT.

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Defined contribution schemes

The Group's defined contribution schemes are now the only schemes open to new employees in the UK and Italy. For the UK pension plan, a core contribution of four to eight per cent of pensionable pay is provided and the Group will match employee contributions up to a maximum of six to ten per cent of pensionable pay.

Amounts recognised in the income statement are as follows:

		2013		2012	
		UK Pension	Other plans	UK Pension	Other plans
	Notes	£m	£m	£m	£m
Defined contribution schemes		**(3.4)**	**(2.2)**	(3.1)	(1.2)
Defined benefit scheme – current service cost		**–**	**(1.9)**	(0.6)	(2.0)
Total pension charge included in employee costs	6	**(3.4)**	**(4.1)**	(3.7)	(3.2)
Finance income and expense					
Interest expense		**(13.5)**	**(0.3)**	(13.5)	(0.3)
Expected return on assets		**11.8**	**–**	13.1	–
Net finance expense		**(1.7)**	**(0.3)**	(0.4)	(0.3)
Total recognised in the income statement		**(5.1)**	**(4.4)**	(4.1)	(3.5)

Defined benefit assets/(obligations) for UK pension scheme

	2013	2012	2011	2010	2009
	£m	£m	£m	£m	£m
Fair value of assets:					
Equities	**9.4**	39.0	39.3	37.2	25.1
Bonds	**110.8**	67.5	219.5	218.5	202.6
Property	**11.4**	24.4	23.3	13.3	7.1
Pensioner buy in policy	**142.1**	133.5	–	–	–
Total fair value of assets	**273.7**	264.4	282.1	269.0	234.8
Present value of funded obligations	**(291.4)**	(274.2)	(244.5)	(264.4)	(229.8)
(Deficit)/surplus	**(17.7)**	(9.8)	37.6	4.6	5.0

The main actuarial assumptions are set out below:

	2013		2012	
	UK pension	Italian plan	UK pension	Italian plan
Inflation rate – RPI	**3.4%**	**2.0%**	3.4%	2.0%
Inflation rate – CPI	**2.4%**	**–**	2.4%	–
Rate of increase in salaries	**3.4%**	**3.5%**	4.4%	3.5%
Rate of increase in pensions in payment	**3.6%**	**3.0%**	3.6%	3.0%
Discount rate	**4.5%**	**3.0%**	5.0%	4.0%
Expected return on assets				
– equities	**–**	**–**	7.3%	–
– bonds	**–**	**–**	3.8%	–
– property	**–**	**–**	6.5%	–
– pensioner buy in policy	**–**	**–**	5.0%	–
Life expectancy from age 60 (Years)				
– Non retired male member	**28.0**	**–**	27.9	–
– Non retired female member	**30.8**	**–**	30.7	–
– Retired male member	**26.5**	**–**	26.3	–
– Retired female member	**29.3**	**–**	29.2	–

The mortality assumptions are based on the standard tables S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for the medium cohort effect and applied a one per cent underpin in respect of future mortality improvements.

Sensitivities

The sensitivities regarding the principal assumptions used to measure the scheme obligations are:

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by £4.2m
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by £19.6m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £23.4m
Mortality rate	Increase by 1 year	Increase by £8.7m

Movement in defined benefit obligation during the year

	2013		2012	
	UK Pension £m	Other plans £m	UK Pension £m	Other plans £m
1 April	**274.2**	**6.7**	244.5	6.4
Current service cost	**–**	**1.9**	0.6	2.0
Interest expense	**13.5**	**0.3**	13.5	0.3
Benefits paid	**(9.0)**	**(1.4)**	(8.7)	(1.6)
Actuarial loss/(gain)	**12.7**	**0.1**	24.3	(0.1)
Foreign exchange	**–**	**0.3**	–	(0.3)
31 March	**291.4**	**7.9**	274.2	6.7

Movement in fair value of UK plan assets during the year

	2013 £m	2012 £m
1 April	**264.4**	282.1
Expected return on assets	**11.8**	13.1
Contributions received	**0.6**	1.3
Benefits paid	**(9.0)**	(8.7)
Actuarial gain/(loss)	**5.9**	(23.4)
31 March	**273.7**	264.4

The actual return on plan assets was £17.7m (2012 loss: £10.3 million).

Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income:

	2013		2012	
	UK Pension £m	Other plans £m	UK Pension £m	Other plans £m
Recognised up to 1 April	**(12.9)**	**(0.9)**	34.8	(1.0)
Net actuarial (loss)/gain recognised in the year	**(6.8)**	**(0.1)**	(47.7)	0.1
Cumulative amount recognised at 31 March	**(19.7)**	**(1.0)**	(12.9)	(0.9)

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2012 by an independent qualified actuary. The Group is currently in discussion on the contributions to the defined benefit scheme during the year to 31 March 2014. The next actuarial valuation as at 31 March 2015 may result in an adjustment to future contribution levels.

The Group estimates the present value of the duration of defined benefit obligations on average to fall due over 20 years.

History of experience gains and losses for the UK pension scheme	2013	2012	2011	2010	2009
Experience adjustments arising on scheme assets:					
Experience gain/(loss) (£m)	**5.9**	(23.4)	5.3	25.6	(11.2)
Percentage of scheme assets	**2.2%**	(8.9%)	1.9%	9.5%	(4.8%)
Experience adjustments arising on scheme liabilities:					
Experience gain/(loss) (£m)	**9.5**	(3.9)	1.5	7.5	1.3
Impact of changes in assumptions (£m)	**(22.2)**	(20.4)	25.3	(34.9)	(1.1)
Total (£m)	**(12.7)**	(24.3)	26.8	(27.4)	0.2

Percentage of scheme liabilities					
Experience gain/(loss)	**3.3%**	(1.4%)	0.6%	2.8%	0.6%
Impact of changes in assumptions	**(7.6%)**	(7.4%)	10.3%	(13.2%)	(0.5%)
Total	**(4.3%)**	(8.8%)	10.9%	(10.4%)	0.1%

17. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	£m	£m	£m	£m
Trade receivables	**121.2**	114.7	**–**	–
Less: provision for impairment of receivables	**(6.1)**	(7.8)	**–**	–
Trade receivables – net	**115.1**	106.9	**–**	–
Amounts due from Group undertakings	**–**	–	**579.4**	585.9
Other receivables	**5.9**	4.1	**–**	–
Prepayments and accrued income	**64.7**	67.3	**–**	0.3
	185.7	178.3	**579.4**	586.2

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values.

Trade receivables that are not past due are not considered to be impaired.

The ageing of past due debtors for the Group is as follows:

	2013		2012	
	Impaired	Not impaired	Impaired	Not impaired
	£m	£m	£m	£m
0 to 3 months past due	**0.1**	**40.9**	0.1	47.9
Greater than 3 months past due	**6.0**	**9.7**	7.7	12.4
	6.1	**50.6**	7.8	60.3

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	2013	2012
	£m	£m
Sterling	**98.3**	98.8
Euro	**58.4**	57.2
Other Currencies	**29.0**	22.3
	185.7	178.3

Movements on the Group provision for impairment of trade receivables are as follows:

	2013	2012
	£m	£m
1 April	**7.8**	7.3
Provision for receivables impairment	**1.4**	1.6
Receivables written off during the year as uncollectible	**(0.9)**	(0.6)
Provisions no longer required	**(2.2)**	(0.4)
Foreign exchange	**–**	(0.1)
31 March	**6.1**	7.8

The creation and release of the provision for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

18. Financial instruments by category

The financial instruments of the Group and Company are categorised as follows:

	Group				Company		
	Loans and receivables	Available for sale	Assets at fair value through profit or loss	Total	Loans and receivables	Assets at fair value through profit or loss	Total
31 March 2013	£m	£m	£m	£m	£m	£m	£m
Assets as per balance sheet							
Financial assets of the CCP clearing business							
– CCP trading assets	–	–	3,426.6	**3,426.6**	–	–	–
– Receivables for repurchase transactions	127,036.2	–	–	**127,036.2**	–	–	–
– Other receivables from clearing members	7,144.8	–	–	**7,144.8**	–	–	–
– Financial assets held at fair value	–	–	12.6	**12.6**	–	–	–
– Cash and cash equivalents of clearing members	2,681.1	5,795.1	–	**8,476.2**	–	–	–
Financial assets of the CCP clearing business	138,862.1	5,795.1	3,439.2	**146,096.4**	–	–	–
Assets held at fair value	–	–	6.1	**6.1**	–	–	–
Total financial assets for CCP clearing	142,657.2	–	3,445.3	**146,102.5**	–	–	–
Trade and other receivables	121.0	–	–	**121.0**	579.4	–	**579.4**
Cash and cash equivalents	446.2	–	–	**446.2**	0.1	–	**0.1**
Available for sale financial assets	–	11.9	–	**11.9**	–	–	–
Cross currency interest rate swaps	–	–	4.0	**4.0**	–	4.0	**4.0**
Forward foreign exchange contracts	–	–	0.3	**0.3**	–	–	–
Total	**137,429.3**	**5,807.0**	**3,449.6**	**146,685.9**	**579.5**	**4.0**	**583.5**

	Group			Company		
	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
	£m	£m	£m	£m	£m	£m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business						
– CCP trading liabilities	–	3,426.6	**3,426.6**	–	–	–
– Liabilities under repurchase transactions	–	127,036.2	**127,036.2**	–	–	–
– Other payables to clearing members	–	15,610.4	**15,610.4**	–	–	–
– Financial liabilities held at fair value	–	14.9	**14.9**	–	–	–
Financial liabilities of the CCP clearing business	–	146,088.1	**146,088.1**	–	–	–
Trade and other payables	–	233.4	**233.4**	–	160.9	**160.9**
Provisions	–	27.3	**27.3**	–	–	–
Borrowings	–	796.8	**796.8**	–	796.4	**796.4**
Cross currency interest rate swaps	3.5	–	**3.5**	3.5	–	**3.5**
Forward foreign exchange contracts	–	0.1	**0.1**	–	–	–
Total	**3.5**	**147,145.7**	**147,149.2**	**3.5**	**957.3**	**960.8**

The valuation of CCP assets held at fair value through profit or loss is performed with reference to quoted prices from the markets to which they relate and therefore are all considered to be level 1. The derivative financial instruments are considered to be level 2.

The cross currency interest rate swaps (amounting to 6 contracts of €50m each), effectively exchange some of the proceeds of the 2016 and the 2019 £250m bonds from sterling into euros to better match the currency of borrowings to the Group's currency of earnings, to reduce exposure to euro denominated net assets and to protect sterling cash flow. These are designated as a hedge of the Group's net investment in the Italian group and qualify for effective hedge accounting as both legs of the swap are at fixed rate and the cash flow components of the swaps exactly match the terms of the underlying bonds. For the year ended 31 March 2013, the Group recognised the £2.5m movement in mark to market value of these derivatives in reserves (2012: £15.6m).

Foreign exchange forward contracts were arranged during the year to hedge the fair value of USD denominated exposures. These hedges forward buy and sell USD payables and receivables, with the mark to market adjustments offsetting the hedged item revaluation in the income statement. This offers more predictable sterling cash flows to the Group at maturity. At 31 March 2013, USD9.9m of receivables and USD7.8m of payables were hedged forward into the next financial year. The market value of the hedges was £0.1m in aggregate.

The Group also entered into forward exchange contracts totalling CAD83.0m for highly probable forecast CAD outflows which were due to mature in the following financial year. These contracts qualify for treatment as an effective cash flow hedge with mark-to-market movements being recognised directly in equity. The market value of the CAD contracts totalled £0.3m.

The Group's financial assets held at fair value consist largely of Italian equities restricted in use for the operations of CC&G as manager of the clearing and guarantee system. The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The nature and composition of the CCP clearing business assets and liabilities is explained in the accounting policies note on pages 83-84.

As at 31 March 2013, there were no provisions for impairment in relation to any of the CCP financial assets (2012: nil) and none of these assets were past due (2012: nil).

The financial instruments of the Group and the Company at the previous year's balance sheet date were as follows:

31 March 2012	Group Loans and receivables £m	Group Available for sale £m	Group Assets at fair value through profit or loss £m	Group Total £m	Company Loans and receivables £m	Company Assets at fair value through profit or loss £m	Company Total £m
Assets as per balance sheet							
Financial assets of the CCP clearing business							
– CCP trading assets	–	–	4,167.6	4,167.6	–	–	–
– Receivables for repurchase transactions	84,968.2	–	–	84,968.2	–	–	–
– Other receivables from clearing members	4,410.5	–	–	4,410.5	–	–	–
– Financial assets held at fair value	–	–	73.3	73.3	–	–	–
– Cash and cash equivalents of clearing members	6,137.3	–	–	6,137.3	–	–	–
Financial assets of the CCP clearing business	95,516.0	–	4,240.9	99,756.9	–	–	–
Assets held at fair value	–	–	14.6	14.6	–	–	–
Total financial assets for CCP clearing	95,516.0	–	4,255.5	99,771.5	–	–	–
Trade and other receivables	111.0	–	–	111.0	585.9	–	585.9
Cash and cash equivalents	216.0	–	–	216.0	0.2	–	0.2
Available for sale financial assets	–	0.4	–	0.4	–	–	–
Cross currency interest rate swaps	–	–	5.2	5.2	–	5.2	5.2
Total	95,843.0	0.4	4,260.7	100,104.1	586.1	5.2	591.3

	Group Derivatives used for hedging £m	Group Other financial liabilities £m	Group Total £m	Company Derivatives used for hedging £m	Company Other financial liabilities £m	Company Total £m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business						
– CCP trading liabilities	–	4,167.7	4,167.7	–	–	–
– Liabilities under repurchase transactions	–	84,968.2	84,968.2	–	–	–
– Other payables to clearing members	–	10,537.9	10,537.9	–	–	–
– Financial liabilities held at fair value	–	73.4	73.4	–	–	–
Financial liabilities of the CCP clearing business	–	99,747.2	99,747.2	–	–	–
Trade and other payables	–	237.5	237.5	–	315.7	315.7
Provisions	–	30.1	30.1	–	–	–
Borrowings	–	757.1	757.1	–	746.6	746.6
Cross currency interest rate swaps	2.1	–	2.1	2.1	–	2.1
Total	2.1	100,771.9	100,774.0	2.1	1,062.3	1,064.4

19. Cash and cash equivalents

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Cash at bank	**217.0**	116.5	**0.1**	0.2
Short term deposits	**229.2**	99.5	**–**	–
	446.2	216.0	**0.1**	0.2

Cash and cash equivalents is held with authorised counterparties of a high credit standing, in interest bearing current and call accounts, short term deposits and AAA rated money market funds. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no differences between their book and fair values.

Cash and cash equivalents does not include amounts held by CC&G on behalf of its clearing members, the use of which is restricted to the operation of CC&G as manager of the clearing and guarantee system (see note 18). Cash and cash equivalents includes amounts held by regulated entities for regulatory and operational purposes. At 31 March 2013, the Group set aside £200.0m (2012: £165.0m) for such purposes, with the amount subject to regular review with regulators in the UK and Italy.

20. Trade and other payables

	Notes	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Trade payables		**30.4**	31.7	**–**	–
Amounts owed to Group undertakings	29	**–**	–	**132.2**	283.8
Social security and other taxes		**12.5**	15.3	**–**	–
Other payables		**26.4**	29.7	**3.3**	3.5
Accruals and deferred income		**164.1**	160.8	**25.4**	28.4
		233.4	237.5	**160.9**	315.7
Current		**230.0**	233.7	**160.9**	315.7
Non-current		**3.4**	3.8	**–**	–
		233.4	237.5	**160.9**	315.7

21. Borrowings

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Current				
Bank borrowings and trade finance loans	**0.4**	10.5	**–**	–
	0.4	10.5	**–**	–
Non-current				
Bonds	**796.5**	499.4	**796.5**	499.4
Bank borrowings	**–**	247.5	**–**	247.5
Deferred arrangement fees	**(0.1)**	(0.3)	**(0.1)**	(0.3)
	796.4	746.6	**796.4**	746.6

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

Type	Expiry Date	Notes/Facility £m	Carrying value at 31 March 2013 £m	Interest rate percentage at 31 March 2013 %
Drawn value of Facilities				
Multi-currency revolving credit facility	Jul 2013	250.0	**–**	LIBOR + 0.8
Multi-currency revolving credit facility	Dec 2014	350.0	**–**	LIBOR + 1.25
Multi-currency revolving credit facility	Nov 2015	250.0	**–**	LIBOR + 1.0
Total Bank Facilities		850.0	**–**	
Notes due July 2016	Jul 2016	250.0	**251.3**	6.125
Notes due October 2019	Oct 2019	250.0	**247.9**	9.125
Notes due November 2021	Nov 2021	300.0	**297.3**	4.75
Total Bonds		800.0	**796.5**	
Total Committed Facilities		1,650.0	**796.5**	

MillenniumIT and MillenniumIT Software have un-committed overdraft facility drawings of £0.4m (2012: £0.5m). The Group's three committed bank facility arrangements were undrawn at 31 March 2013.

CC&G has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements. In addition, uncommitted tri-party credit lines of €750 million are available from Bank of Italy with refinancing from major Italian banks in relation to support of the MTS markets. If these are drawn they are guaranteed by CCP assets comprising Italian Government Bonds. CC&G also has available to it €150m of committed facilities with banks, for short term CCP related activity purposes only.

Non-current borrowings

In July 2006, the Company issued a £250m bond which is unsecured and is due for repayment in July 2016. Interest is paid semi-annually in arrears in January and July each year. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on movements in the Company's credit rating with Moody's which was unchanged throughout the financial year. The bond coupon remained at 6.125 per cent per annum throughout this period.

In June 2009, the Company issued another £250m bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the Company's credit ratings with Moody's and Standard & Poor's which were unchanged throughout the financial year. The bond coupon remained at 9.125 per cent per annum throughout this period.

In November 2012, the Company issued a further £300m bond under its euro medium term notes programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75 per cent per annum.

Fair values

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

Group	Carrying value 2013 £m	Fair value 2013 £m	Carrying value 2012 £m	Fair value 2012 £m
Borrowings				
– within one year	**0.4**	**0.4**	10.5	10.5
– after more than one year	**796.4**	**942.4**	746.6	832.8
	796.8	**942.8**	757.1	843.3

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

	Carrying value 2013 £m	Fair value 2013 £m	Carrying value 2012 £m	Fair value 2012 £m
Borrowings				
– after more than one year	**796.4**	**942.4**	746.6	832.8
	796.4	**942.4**	746.6	832.8

The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over LIBOR.

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

	2013			2012		
Currency	Drawn £m	Swapped £m	Effective £m	Drawn £m	Swapped £m	Effective £m
Sterling	**796.4**	**(255.5)**	**540.9**	735.1	(250.2)	484.9
Euro	**–**	**255.5**	**255.5**	–	250.2	250.2
Sri Lankan Rupees	**0.4**	**–**	**0.4**	0.5	–	0.5
Hong Kong Dollars	**–**	**–**	**–**	21.5	–	21.5
Total	**796.8**	**–**	**796.8**	757.1	–	757.1

22. Analysis of net debt

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Due within one year				
Cash and cash equivalents	**446.2**	216.0	**0.1**	0.2
Bank borrowings	**(0.4)**	(10.5)	**–**	–
Derivative financial liabilities	**(0.1)**	–	**–**	–
	445.7	205.5	**0.1**	0.2
Due after one year				
Deferred arrangement fees/(bank borrowings)	**0.1**	(247.2)	**0.1**	(247.2)
Bonds	**(796.5)**	(499.4)	**(796.4)**	(499.4)
Derivative financial assets	**4.3**	5.2	**4.0**	5.2
Derivative financial liabilities	**(3.5)**	(2.1)	**(3.5)**	(2.1)
Total net debt	**(349.9)**	(538.0)	**(795.7)**	(743.3)

Reconciliation of net cash flow to movement in net debt

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Increase/(decrease) in cash in the year	**227.6**	(42.9)	**0.3**	(0.6)
Bond issue proceeds	**(297.6)**	–	**(297.6)**	–
Bank loan repayments less new drawings	**257.8**	(224.3)	**247.8**	(247.2)
Change in net debt resulting from cash flows	**187.8**	(267.2)	**(50.0)**	(247.8)
Foreign exchange movements	**2.6**	(7.7)	**(0.4)**	–
Movement on derivative financial assets and liabilities	**(2.4)**	15.6	**(2.6)**	15.6
Bond valuation adjustment	**0.1**	0.1	**0.1**	0.1
Acquired debt	**–**	(34.2)	**–**	–
Net debt at the start of the year	**(538.0)**	(244.6)	**(743.3)**	(511.2)
Net debt at the end of the year	**(349.9)**	(538.0)	**(795.7)**	(743.3)

23. Provisions

Group	Property £m
1 April 2011	31.5
Utilised during the year	(3.8)
Interest on discounted provision	1.4
Acquired during the year	1.0
31 March 2012	30.1
Utilised during the year	**(4.1)**
Interest on discounted provision	**1.3**
31 March 2013	**27.3**

Current	**1.1**
Non-current	**26.2**
31 March 2013	**27.3**

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between one and 15 years to expiry.

The Company has no provisions.

24. Ordinary share capital

	2013		2012	
Authorised	millions	£m	millions	£m
Ordinary shares of 6 $^{79}/_{86}$p	**271.1**	**18.8**	271.1	18.8

More information about the shares and rights attached to the ordinary shares is given in the Directors' Report on page 72.

NOTES TO THE FINANCIAL STATEMENTS

25. Net cash flow generated from operations

	Group		Company	
	2013	2012	2013	2012
	£m	£m	£m	£m
Profit before taxation	**298.9**	639.7	**159.1**	136.8
Depreciation and amortisation	**129.2**	95.3	**–**	–
Property impairment	**–**	2.7	**–**	–
Gain on disposal of property, plant and equipment	**1.5**	–	**–**	–
Profit on acquisition/disposal of shares in subsidiary and joint venture	**–**	(323.8)	**–**	–
Net finance expense/(income)	**49.5**	42.6	**(148.9)**	(187.3)
Share of profit after tax of joint ventures	**–**	(3.5)	**–**	–
Decrease/(increase) in inventories	**0.5**	(0.9)	**–**	–
(Increase)/decrease in trade and other receivables	**(3.0)**	13.8	**3.2**	(1.0)
(Decrease)/increase in trade and other payables	**(9.6)**	2.9	**(10.2)**	2.1
Borrowing costs capitalised	**(0.5)**	–	**(0.6)**	–
Goodwill valuation amendment	**(1.2)**	–	**–**	–
(Increase)/decrease in CCP financial assets	**(43,590.5)**	7,702.5	**–**	–
Increase/(decrease) in CCP clearing business liabilities	**43,594.4**	(7,709.8)	**–**	–
Defined benefit pension obligation – contributions (in excess of)/lower than expenses charged	**(1.0)**	0.2	**–**	–
Provisions utilised during the year	**(6.1)**	(3.8)	**–**	–
Decrease/(increase) in assets held at fair value from operating activities	**8.0**	(6.7)	**–**	–
Share scheme expense	**13.1**	12.1	**–**	–
Foreign exchange gains/(losses) on operating activities	**4.3**	(0.9)	**(2.5)**	27.0
Cash generated from/(absorbed by) operations	**487.5**	462.4	**0.1**	(22.4)
Comprising:				
Ongoing operating activities	**480.5**	483.7	**0.1**	(4.2)
Non-recurring items	**7.0**	(21.3)	**–**	(18.2)
	487.5	462.4	**0.1**	(22.4)

26. Commitments and contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £1.6m (2012: £5.6m) and £13.2m (2012: £13.5m) respectively. £11.5m of other contracted commitments represent professional and other fees relating to the proposed transaction with LCH.Clearnet, the majority of which were conditional on completion, on 1 May 2013.

27. Leases

The Group leases various office properties and equipment under non-cancellable operating leases.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	Property		Equipment	
	2013	2012	2013	2012
Leases expiring in:	£m	£m	£m	£m
Less than one year	**25.3**	24.9	**1.4**	3.1
More than one year and less than five years	**84.0**	80.3	**–**	1.6
More than five years	**82.7**	99.6	**–**	–
	192.0	204.8	**1.4**	4.7

Operating lease payments of £25.6m (2012: £21.5m) were charged to the income statement in the year in relation to property and £3.0m (2012: £3.4m) in the year in relation to equipment.

The total future minimum lease payments expected to be received under non-cancellable operating leases for property where the Group is lessor are due as follows:

	Property	
	2013	2012
Leases expiring in:	£m	£m
Less than one year	**8.2**	4.6
More than one year and less than five years	**21.2**	17.0
More than five years	**10.9**	11.2
	40.3	32.8

The Company has no lease commitments.

28. Share Schemes

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2004 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares. Vesting of these awards is dependent upon the Company's total shareholder return performance and for awards made since 2008, adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 60-71.

Under the Group's previous share option plan approved by shareholders in 2002, the maximum value of shares placed under option to an individual was equivalent to 100 per cent of their annual salary. No further awards will be made under this scheme.

Prior to 2002, under the previous long term incentive scheme (comprising the Initial and Annual Share Plans) option grants and share awards were made based on approvals prior to the Group's listing in July 2001. No further option grants or share awards will be made under this scheme apart from the SAYE scheme available to all staff. Under both the Initial and Annual Share Plan, share awards have a vesting period of three years and share options become exercisable at 20 per cent per annum over five years with a contractual life of 10 years.

The SAYE scheme and International Sharesave Plan provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20 per cent below fair market value. Share awards were granted at nil cost to employees and other share options were granted at fair market value or above.

The Group established an ESOP discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end 1,128,556 (2012: 1,215,289) shares were held by the trust, funded by an interest free loan from the Group. The Company has no employees, but in accordance with SIC 12 "Consolidation – Special Purpose Entities" has the obligation for the assets, liabilities, income and costs of the ESOP trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

	Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
1 April 2011	445,352	4.30	331,956	5.69	5,616,934	–
Granted	61,448	9.71	489,271	6.13	1,945,642	–
Exercised	(100,704)	3.77	(313,773)	5.69	(234,193)	–
Lapsed/Forfeited	(1,856)	3.45	(18,183)	5.69	(1,235,072)	–
31 March 2012	404,240	5.26	489,271	6.13	6,093,311	–
Granted	**55,440**	**9.85**	**220,046**	**8.20**	**2,814,239**	**–**
Exercised	**(67,570)**	**3.57**	**(3,844)**	**6.13**	**(1,386,330)**	**–**
Lapsed/Forfeited	**(8,995)**	**7.80**	**(20,403)**	**6.13**	**(1,028,747)**	**–**
31 March 2013	**383,115**	**6.16**	**685,070**	**6.79**	**6,492,473**	**–**
Exercisable at:						
31 March 2013	**183,631**	**1.69**	**–**	**–**	**121,483**	**–**
31 March 2012	198,718	1.74	–	–	–	–

The weighted average share price of London Stock Exchange Group plc shares during the year was £10.70 (2012: £8.94).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	2013		2012	
	Number outstanding	Weighted average remaining contractual life	Number outstanding	Weighted average remaining contractual life
Share options				
Between £3 and £4	**153,935**	**0.3**	250,686	1.8
Above £4	**229,180**	**4.7**	153,554	3.3
SAYE				
Above £6	**685,070**	**2.2**	489,271	2.8
LTIP				
Nil	**6,492,473**	**1.4**	6,093,311	1.3
Total	**7,560,658**	**1.6**	6,986,822	1.7

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

				Performance Related Equity Plan	
	Share Save Plan	Matching Shares	Performance Shares	Restricted Shares	Market Value Options
	10 Jan 2013	21 Jun 2012	19 Jun 2012	19 Jun 2012	19 Jun 2012
Grant date share price	£11.39	£10.00	£9.85	£9.85	£9.85
Exercise price	£8.20	n.a	n.a	n.a	£9.71
Volatility	31%	33%	33%	33%	33%
Expected life	3.14 years	3 years	3 years	3 years	4 years
Dividend yield	2.50%	2.80%	2.90%	2.90%	2.90%
Fair value	£3.48	–	–	–	–
Fair value TSR	–	£3.17	£3.12	£3.26	£1.54
Fair value EPS	–	£9.18	£9.02	£9.02	£2.06

The volatility assumption is based on a statistical analysis of weekly share prices since the London Stock Exchange's flotation in July 2001. The fair value for the Performance and Matching Shares granted during the year is based on a Total Shareholder Return (TSR) pricing model which takes into account of the TSR vesting condition. All other fair values of shares granted is based on a Black-Scholes model. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

29. Transactions with Related Parties

Key management compensation

Compensation for Directors of the Company and key personnel who have authority for planning, directing and controlling the Group:

	2013	2012
	£m	£m
Salaries and other short term benefits	**8.9**	9.0
Pensions	**0.5**	0.4
Share based payments	**4.6**	0.2
	14.0	9.6

Inter-company transactions with subsidiary undertakings

The Company has loan agreements with some subsidiary undertakings. Details as at 31 March 2013 are shown in the table below:

	Amount in millions due (owed to)/from as at 31 March			Interest rate as at	Interest in millions (charge) /credit	
Loan counterparty	2013	2012	Term	31 March 2013	2013	2012
London Stock Exchange plc	**£(88.7)m**	£(236.5)m	25 years from May 2006 with five equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	**£(6.8)m**	£(4.0)m
London Stock Exchange Employee Benefit Trust	**£14.2m**	£10.9m	Repayable on demand.	Non-interest bearing	**nil**	nil
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	**€450.0m**	€450.0m	Five years from March 2009, repayable in full on maturity in March 2014.	EURIBOR plus 4.0% per annum1	**€24.4m**	€27.5m
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	**€94.5m**	€122.0m	20 years from January 2008 with five equal repayments commencing in January 2024.	EURIBOR plus 1.2% per annum	**€2.6m**	€3.9m
London Stock Exchange Group Holdings Limited	**£463.6m**	£461.1m	Fifth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	**£22.1m**	£6.7m
London Stock Exchange Group Holdings (R) Limited	**£(0.6)m**	£(0.6)m	Fifth anniversary of the initial utilisation date which was April 2011.	LIBOR plus 1.5% per annum	**nil**	nil
Cassa di Compensazione e Garanzia S.p.A.	**nil**	€(40.0)m	One year from initial utilisation date which was January 2012.	EURIBOR plus 1.2% per annum	**€(0.5)m**	€(0.1)m
Monte Titoli S.p.A.	**€(31.9)m**	€(18.2)m	One year from initial utilisation date which was January 2012, extended for further six months to July 2013.	EURIBOR plus 1.2% per annum	**€(0.4)m**	nil
Societa Mercato Titoli di Stato S.p.A.	**€(22.2)m**	€(5.7)m	One year from initial utilisation date which was January 2012, extended for further six months to July 2013.	EURIBOR plus 1.2% per annum	**€(0.2)m**	nil
London Stock Exchange (C) Limited	**€13.8m**	nil	Fifth anniversary of the initial utilisation date which was April 2012.	EURIBOR plus 1.5% per annum	**€(0.3)m**	nil

1 The interest margin was reduced to 3.5 per cent per annum on 22 March 2013.

During the year the Company charged in respect of employee share schemes £8.0m (2012: £8.8m) to London Stock Exchange plc, £2.8m (2012: £2.8m) to London Stock Exchange Group Holdings (Italy) Ltd, £0.7m (2012: £0.5m) to Millennium Information and £1.2m (2012: nil) to FTSE Group. The Company received dividends of £112.4m (2012: £121.8m) and €60.0m (2012: €90.0m) respectively from its subsidiaries London Stock Exchange plc and London Stock Exchange Group Holdings (Italy) Limited.

30. Other Statutory Information

Auditors' remuneration payable to PricewaterhouseCoopers LLP (PwC) and its associates comprise the following:

	2013	2012
	£m	£m
Audit of parent and consolidated financial statements	**0.2**	0.2
Audit of subsidiary companies	**1.0**	0.9
Audit related assurance services	**0.4**	0.3
Other non-audit services:		
– Taxation	**0.2**	0.1
– Corporate finance	**0.6**	2.8
– Other assurance services	**0.1**	–
Total expenses	**2.5**	4.3

Further details of the services provided by PwC are given in the Report of the Audit and Risk Committee on pages 58-59.

Directors' emoluments comprise the following:

	2013	2012
	£m	£m
Salary and fees	**2.6**	2.5
Performance bonus	**2.6**	2.6
Gains made on share awards	**4.9**	0.2
Benefits	**0.3**	0.1
	10.4	5.4
Contributions to defined contribution schemes	**0.3**	0.3
	10.7	5.7

During the year no Directors (2012: two) had retirement benefits accruing under defined contribution schemes and one Director (2012: none) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Remuneration Report on pages 60-71.

31. Post balance sheet events

On 5 April 2013, FTSE Group and TMX Group Limited announced the completion of the transaction to combine their fixed income businesses in a new joint venture, FTSE TMX Global Debt Capital Markets. A cash consideration of CAD112.2m was paid to TMX for a 75 per cent holding in the joint venture with TMX holding the remaining interest.

On 1 May 2013, the Group completed the majority acquisition of LCH.Clearnet Group Limited. The Group acquired 55.5 per cent of the share capital which in addition to the 2.3 per cent already held gives the Group a total holding of 57.8 per cent. The consideration paid was €328m with up to a further €23m payable as deferred consideration. In addition to the acquisition the Group will participate in a capital raise, in proportion to its shareholding, resulting in a further €185m investment.