23 May 2002

LONDON STOCK EXCHANGE plc

ANNOUNCEMENT OF PRELIMINARY FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2002

Highlights:

- Turnover up 11 per cent to £215.6 million
- Operating profit from continuing operations and before exceptional items up 22 per cent to £70.5 million
- Adjusted earnings per share up 20 per cent to 18.3 pence
- Final dividend 2.5 pence per share bringing the total dividend for the year to 3.6 pence per share, up 13 per cent

Commenting on the results, Don Cruickshank, Chairman of the Exchange, said:

"Last year, our Bicentenary, was an important one for the Exchange. We became a publicly listed company, gaining the commercial and financial flexibility to continue to build our business. Our primary objective remains to maximise shareholder value and we believe today's strong financial results support this. We continue to view the Exchange's future with confidence."

Clara Furse, Chief Executive, said:

"Our strong financial performance is testament to the strength of our competitive position, the breadth of our product range, and the quality of the services we provide to our customers. Despite difficult market conditions, we have delivered turnover growth of 11 per cent, significantly improved our profit margins and increased our cash flows, all of which have strengthened our financial position.

"During the year, we have implemented a series of important initiatives. These include a £12 million upgrade to our electronic order book SETS, the development of Extranex, our new global internet protocol network, and, since the year-end, the commencement of the operation of RNS on a commercial basis. We are well placed to explore further opportunities for growing our business and believe the Exchange's first year since listing has been important in establishing a solid platform for the future."

Further information is available from:

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

Financial results

Financial performance for the year ended 31 March 2002 has been strong. Turnover increased 11 per cent to £215.6 million (2001: £193.4 million) and administrative expenses were £136.1 million (2001: £129.7 million), up 5 per cent, reflecting good cost management.

Operating margins rose to 34 per cent (2001: 31 per cent), resulting in an increase of 22 per cent in operating profit from continuing operations before exceptional items to £70.5 million (2001: £57.9 million).

Profit before tax was £75.2 million (2001: £30.4 million). Adjusted earnings per share were up 20 per cent to 18.3 pence (2001: 15.2 pence) and earnings per share increased to 17.1 pence (2001: 5.1 pence).

For the year, operating cash flows before exceptional items were £82.4 million, up 11 per cent on the previous year (2001: £74.5 million).

Broker Services

Turnover from Broker Services increased 26 per cent to £81.2 million (2001: £64.2 million).

The growth in Broker Services reflected an increase in the overall level of trading activity on the Exchange's markets and in particular, the rapid growth in the number of bargains transacted through the electronic order book, SETS.

For the year ended 31 March 2002, the total number of equity bargains increased 25 per cent to 50.1 million (2001: 40.2 million), a daily average of 200,000 (2001: 160,000). Over the same period, the daily average number of equity bargains transacted on SETS grew by 86 per cent to 69,000 (2001: 37,000), a total of 17.4 million (2001: 9.4 million). The exceptional growth in SETS bargains was driven partly by the introduction of the Central Counterparty (CCP) in February 2001, which delivered post-trade anonymity. SETS contributed approximately 50 per cent of Broker Services' income for the year.

Broker Services implemented a number of other new business initiatives during the year, including the introduction of the International Order Book, which offers investors an open and flexible trading platform for developing market depositary receipts, and the International Retail Service, which provides UK retail investors with easy access to trading in international securities.

In addition, in December 2001, the Exchange completed a £12 million upgrade to SETS, resulting in a trebling of its trading capacity.

The Exchange's technology agreement, entered into with the JSE in April 2001 for the provision of core technology services, went live in May 2002. The principal aim of the agreement is to achieve easier access to each other's markets for both member firms and issuers.

The Exchange continues to develop a number of other projects including:

- a Retail Service Provider Gateway (RSP Gateway) aimed at lowering costs of retail execution across the industry, the RSP Gateway is intended to provide a single connection point for retail brokers to access the widest possible number of execution options. Plans to launch the RSP Gateway are substantially complete;

- the CREST network allows brokers to access both the Exchange and CREST using a single electronic link and could reduce settlement communications costs for trading customers by as much as 40-50 per cent;

- a joint agreement with Euroclear and London Clearing House (LCH) to develop straight through settlement in Euroclear for Exchange trades cleared by LCH. This will increase choice and competition for settlement services and should help reduce costs for cross-border transactions; and

- the second stage of the CCP project, Central Counterparty Netting working with CRESTCo and LCH, Central Counterparty Netting will allow customers to net-off multiple transactions in a single security for settlement purposes, thus reducing their marginal trading costs and increasing operational efficiency.

Issuer Services

Issuer Services' turnover for the year decreased by 16 per cent from £31.9 million to £26.9 million.

Issuer Services' performance reflected the weaker conditions in the IPO market. At 289, the number of new issues during the year was substantially lower than the high levels recorded in the previous year of 467. Nevertheless, the Exchange accounted for over 65 per cent of the IPOs in Western Europe during the year, demonstrating the continued attractiveness of the Exchange's markets (2001: 47 per cent).

In addition to revenues from new and further issues, the Exchange receives an annual fee from each company traded on its markets, a revenue stream generally more resilient to market conditions. At 31 March 2002, there were 2,879 companies on the Exchange's markets, only a modest decline on the prior year (2001: 2,922). The number of companies on AIM, the Exchange's market for young and growing companies, increased 17 per cent to 641 (2001: 550).

During the year, Issuer Services completed the national rollout of landMARK, the Exchange's attribute market that highlights companies in each region of the UK and Ireland, and techMARK mediscience, London's international market for healthcare companies.

The Exchange also continued to promote its markets worldwide throughout the year. The Exchange focused these efforts on countries with strong growth potential such as Japan, with the result that several Japanese companies recently joined its main market including UFJ Holdings and NTT DoCoMo.

Information Services

Information Services' turnover was up 9 per cent to £94.9 million from £87.0 million.

The performance of Information Services reflected resilience despite difficult market conditions. At 31 March 2002, the total number of terminals receiving Exchange data on a real-time basis was 105,000 (2001: 107,000), of which 96,000 terminals (2001: 96,000) were attributable to the professional user base. The decline in overall terminal numbers reflected a reduction in the number of lower-yield private investors' terminals (2002: 9,000; 2001: 11,000).

During the year, Information Services continued to develop its new communication service, Extranex, which was launched in April 2002. Utilising state of the art technology, this service will enable the Exchange to deliver new products and services (such as the RSP Gateway) to customers.

In February, in preparation for a competitive market for regulatory news dissemination in the UK, the Exchange launched a package of new Regulatory News Service (RNS) products to enhance and expand services offered to customers. The new services were designed to allow companies to deliver marketing messages whilst targeting their most important audiences.

Last year, RNS published over 150,000 regulatory disclosure announcements to a global audience of 250,000 investor terminals. Since commercialisation commenced on 15 April 2002, RNS has enjoyed strong market share, reflecting the quality and reliability of the service it provides.

Final dividend

The Directors have proposed a final dividend of 2.5 pence per share to those shareholders on the register on 19 July 2002, for payment on 19 August 2002. Combined with the interim dividend of 1.1 pence per share paid in January, this takes the total dividend for the year to 3.6 pence per share (2001: 3.2 pence).

FRS 17

The Exchange continues to account for pension costs in accordance with SSAP 24, Accounting for Pension Costs. The effect of the new accounting standard FRS 17 on Retirement Benefits is shown in Note 11.

Current trading and prospects

For the year ended 31 March 2002, the Exchange's overall business demonstrated resilience in difficult market conditions. Since 31 March 2002, trading conditions have been similar to those experienced during the second half of financial year 2002:

- Broker Services continues to see stable trading volumes. The Exchange should continue to benefit from the migration of trading to the order book, albeit at a slower rate than in 2002;

- whilst difficult to predict whether the downturn in the IPO market has bottomed out, the Exchange is well positioned to benefit from any upturn; and

- the numbers of professional terminals receiving Exchange data have remained relatively stable since 31 March 2002.

The Exchange does not foresee any immediate change to current levels of market activity and expects modest revenue growth at the start of the year, increasing in the second half of the year. The Directors continue to view the prospects of the Exchange with confidence and believe it can build on its strong platform for future growth.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

			Notes	2002 £m	2001 £m
Turnover					
Group and share of joint venture	- Continuing operations			**215.6**	193.4
	- Discontinued operations			**-**	1.2
Gross turnover				**215.6**	194.6
Less: share of joint venture's turnover - Continuing operations				**(9.0)**	(6.2)
Net turnover			1	**206.6**	188.4
Administrative expenses	- Operating costs			**(136.1)**	(129.7)
	- Exceptional items		2	**(3.6)**	(18.9)
				(139.7)	(148.6)
Operating profit	- Continuing operations	- before exceptional items		**70.5**	57.9
		- after exceptional items		**66.9**	39.0
	- Discontinued operations			**-**	0.8
				66.9	39.8
Share of operating profit of joint venture and income from other fixed asset investments				**1.0**	0.3
Net interest receivable/(payable)	- before exceptional item		3	**7.3**	7.9
	- exceptional item		3	**-**	(17.6)
				7.3	(9.7)
Profit on ordinary activities before taxation				**75.2**	30.4
Taxation on profit on ordinary activities			4	**(25.3)**	(15.2)
Profit for the financial year				**49.9**	15.2
Dividends				**(10.6)**	(9.5)
Retained profit for the financial year				**39.3**	5.7
Earnings per share			5	**17.1p**	5.1p
Diluted earnings per share			5	**17.0p**	5.1p
Adjusted earnings per share			5	**18.3p**	15.2p
Dividend per share				**3.6p**	3.2p

There were no other recognised gains and losses during the years ended 31 March 2002 and 2001.

BALANCE SHEET
31 March 2002

	Notes	Group 2002 £m	Group 2001 £m
Fixed assets			
Tangible assets		**115.4**	117.1
Investments			
Investments in joint venture:			
Share of gross assets		**8.6**	7.1
Share of gross liabilities		**(7.1)**	(4.8)
		1.5	2.3
Other investments	6	**12.1**	10.1
		13.6	12.4
		129.0	129.5
Current assets			
Debtors			
Debtors - amounts falling due within one year		**38.9**	37.3
Deferred tax - amounts falling due after more than one year		**7.9**	10.7
		46.8	48.0
Investments - term deposits		**186.0**	143.0
Cash at bank		**3.9**	4.9
		236.7	195.9
Creditors - amounts falling due within one year		**62.7**	58.8
Net current assets		**174.0**	137.1
Total assets less current liabilities		**303.0**	266.6
Provisions for liabilities and charges	7	**21.7**	24.6
Net assets		**281.3**	242.0
Capital and reserves			
Called up share capital	8	**14.9**	1.5
Reserves			
Revaluation reserve		**45.8**	47.7
Profit and loss account		**220.6**	192.8
Total equity shareholders' funds		**281.3**	242.0

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2002

	Notes	**2002 £m**	2001 £m
Net cash inflow/(outflow) from:			
- ongoing operating activities	10(i)	**82.4**	74.5
- exceptional items	10(i)	**(3.8)**	(22.4)
Net cash inflow from operating activities		**78.6**	52.1
Returns on investments and servicing of finance			
Interest received		**8.8**	12.1
Interest paid		**-**	(4.1)
Premium on redemption of debenture		**-**	(17.6)
Dividends received		**0.2**	0.1
Net cash inflow/(outflow) from returns on investments and servicing of finance		**9.0**	(9.5)
Taxation			
Corporation tax paid		**(15.8)**	(20.6)
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		**(15.8)**	(22.7)
Payments to acquire own shares		**(5.0)**	(10.0)
Receipts from sales of fixed asset investments		**0.7**	-
Net cash outflow from capital expenditure and financial investments		**(20.1)**	(32.7)
Dividends paid		**(9.7)**	(3.0)
Net cash inflow/(outflow) before use of liquid resources and financing		**42.0**	(13.7)
Management of liquid resources			
(Increase)/decrease in term deposits		**(43.0)**	53.0
Financing			
Redemption of mortgage debenture		**-**	(30.0)
Redemption of 'A' shares		**-**	(8.8)
(Decrease)/increase in cash in the year		**(1.0)**	0.5

NOTES TO THE FINANCIAL STATEMENTS

1. Turnover

	2002	2001
	£m	£m
Analysis of turnover:		
Continuing operations		
Issuer Services	**26.9**	31.9
Broker Services	**81.2**	64.2
Information Services	**94.9**	87.0*
Other income	**12.6**	10.3*
	215.6	193.4
Discontinued operations		
Competent authority	**-**	1.2
Gross turnover	**215.6**	194.6
Less: share of joint venture's turnover	**(9.0)**	(6.2)
Net turnover	**206.6**	188.4

* The comparative figures for 2001 have been restated to include RNS turnover within Information Services, which was previously classified as Other income.

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

2. Exceptional items

	2002	2001
	£m	£m
Fees in respect of the Company's Introduction to the Official List	**3.6**	-
Fees in respect of the proposed merger with Deutsche Börse AG and in defence of the bid from OM Gruppen	**-**	18.9
	3.6	18.9

3. Net interest receivable/(payable)

	2002 £m	2001 £m
Interest receivable		
Bank deposit and other interest	**8.5**	12.4
Interest payable		
On bank and other loans repayable after five years	**-**	(2.8)
Interest on discounted provision for leasehold properties	**(1.2)**	(1.7)
Total	**(1.2)**	(4.5)
Net interest receivable - before exceptional item	**7.3**	7.9
Exceptional item		
Premium on redemption of mortgage debenture	**-**	(17.6)
Net interest receivable/(payable) after exceptional item	**7.3**	(9.7)

4. Taxation

	2002 £m	2001 £m
Current tax:		
Corporation tax for the year at 30% (2001: 30%)	**25.2**	15.0
Adjustments in respect of previous periods	**(3.1)**	(1.4)
	22.1	13.6
Deferred taxation	**2.8**	1.5
Joint venture	**0.4**	0.1
Taxation charge	**25.3**	15.2

The adjustments for previous years are mainly in respect of timing differences, the effect of which was previously dealt with in deferred taxation, and reflect revised assumptions for the allowance of certain expenses.

4. Taxation (continued)

Factors affecting the tax charge for the year

The current tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2001: 30%).

The differences are explained below:

	2002 **£m**	2001 £m
Profit on ordinary activities before tax	**75.2**	30.4
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**22.6**	9.1
Expenses disallowed for the purpose of tax provision (primarily professional fees and depreciation on expenditure not subject to capital allowances)	**2.5**	6.8
Accounting deduction (less)/greater than capital allowances - timing difference	**(0.5)**	0.3
Movement in provisions	**0.6**	(1.2)
Adjustment to tax charge in respect of previous periods	**(3.1)**	(1.4)
Corporation tax charge	**22.1**	13.6

Factors that may affect future tax charges

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

5. Earnings per share

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

	2002	2001
Adjusted earnings per share	**18.3p**	15.2p
Earnings per share	**17.1p**	5.1p
Diluted earnings per share	**17.0p**	5.1p

	£m	£m
Profit for the financial year	**49.9**	15.2
Adjustments:		
Exceptional items	**3.6**	18.9
Exceptional interest costs - redemption of debenture	**-**	17.6
Discontinued operations	**-**	(0.8)
Tax effect of exceptional items and discontinued operations	**-**	(5.9)
Adjusted profit for the financial year	**53.5**	45.0

5. Earnings per share (continued)	**2002**	2001
Weighted average number of shares - million	**291.8**	295.7
Effect of dilutive share options and awards - million	**2.1**	0.3
Diluted weighted average number of shares - million	**293.9**	296.0

The weighted average number of shares excludes those held in the ESOP, reducing the weighted average number of shares to 291.8 million (2001: 295.7 million). For diluted earnings per share, the weighted average number of shares assumes share options and share awards granted to employees either convert or vest. The weighted average number of shares for 2001 has been adjusted for the 9 for 1 bonus issue of shares that was made on 20 July 2001.

6. Fixed asset investments

Other investments include £11.7m (2001: £9.7m) in respect of own shares.

Shares held in the Company are in a separately administered trust for the purposes of the Company's Share Scheme. The difference between the purchase price of the shares and the exercise price of the awards/grants is charged to the profit and loss account over the period of service for which the awards and options are granted.

7. Provisions for liabilities and charges

	Pensions £m	Property £m	Total £m
1 April 2001	1.1	23.5	24.6
Utilised during the year	(0.2)	(2.4)	(2.6)
Interest on discounted provision	-	1.2	1.2
Surplus provision released to profit and loss account	-	(1.5)	(1.5)
31 March 2002	**0.9**	**20.8**	**21.7**

Pensions

The pensions provision represents a pension surplus which first arose in 1990 and is being released to the profit and loss account over the expected remaining service lives of scheme members.

Property

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting for those properties which are surplus to business requirements. The leases have a maximum term of 12 years to expiry. The surplus provision transferred to the profit and loss account mainly reflects the increase in expected receipts from sub-letting and lower future costs.

8. Share capital

		2002	2001
Authorised			
Ordinary shares of 5p each	- number	**500,000,000**	40,000,000
	- £	**25,000,000**	2,000,000
Issued, called up and fully paid			
Ordinary shares of 5p each	- number	**297,000,000**	29,700,000
	- £	**14,850,000**	1,485,000

At an Extraordinary General Meeting on 19 July 2001 shareholders approved the adoption of new Articles of Association required to effect the Introduction to the Official List and a 9 for 1 bonus issue, increasing the number of issued shares to 297.0 million.

9. Reconciliation of movements in shareholders' funds

	2002 £m	2001 £m
Profit for the financial year	**49.9**	15.2
Dividend	**(10.6)**	(9.5)
Redemption of 'A' shares during the year	**-**	(8.8)
Net addition/(reduction) to shareholders' funds	**39.3**	(3.1)
Opening shareholders' funds	**242.0**	245.1
Closing shareholders' funds	**281.3**	242.0

10. Notes to the consolidated cash flow statement

	2002	2001
	£m	£m
i) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**66.9**	39.8
Depreciation of tangible assets	**17.5**	19.9
Increase in debtors	**(0.7)**	(1.3)
Decrease in creditors	**(3.3)**	(3.2)
Provisions utilised during the year	**(2.6)**	(3.4)
Amortisation of own shares	**0.8**	0.3
Net cash inflow from operating activities	**78.6**	52.1
Comprising:		
Ongoing operating activities	**82.4**	74.5
Exceptional items (see note 2)	**(3.8)**	(22.4)
Net cash inflow	**78.6**	52.1

	At 1 April 2001 £m	Cash flows £m	**At 31 March 2002 £m**
ii) Analysis of changes in net funds			
Cash in hand and at bank	4.9	(1.0)	**3.9**
Current asset investments	143.0	43.0	**186.0**
Total net funds	147.9	42.0	**189.9**

NOTES TO THE FINANCIAL STATEMENTS

11. Pension costs

The Company operates one pension plan which includes separate defined benefit and defined contribution schemes. Following a contribution holiday for the defined benefit and defined contribution schemes, contributions recommenced in March 2001. The pension charge for the year ended 31 March 2002 was £2.7m (2001: £1.6m).

The Company continues to account for pension costs in accordance with SSAP 24 - Accounting for Pension Costs. The following information is provided under the transitional disclosure requirements of FRS 17 - Retirement Benefits.

The fair value of the assets and net position in the defined benefit scheme, with the assumed expected rate of return at 31 March 2002 and 2001 were as follows:

	31 March 2002	**Long term expected rate of return**	**31 March 2001**	**Long term expected rate of return**
Equities	**40.8**	7.75%	71.0	6.25%
Bonds	**107.3**	5.57%	80.0	5.25%
Total market value of net assets	**148.1**		151.0	
Present value of liabilities	**167.0**		163.0	
Deficit in the plan	**(18.9)**		(12.0)	
Related deferred tax asset	**5.7**		3.6	
Net pension liability	**(13.2)**		(8.4)	

If the above amounts had been recognised in the financial statements, the Group’s net assets and profit and loss reserve at 31 March 2002 would have been reduced by £12.6m (2001: £7.6m), being the deficit of the pension scheme based on assumptions at that date of £13.2m less the existing pension provision and related deferred tax asset.

12. Abridged accounts

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