3 March 2017

LONDON STOCK EXCHANGE GROUP PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Unless stated otherwise, all figures in the highlights below refer to continuing operations[1] for 12 months to 31 December 2016 and comparisons with the prior 12 month period on the same basis.

- Continued execution against strategic objectives and investment drives multiple growth opportunities across each of our market-leading businesses

- Strong financial performance across all business areas with good control of underlying costs – positioned for delivering strong operational leverage

- Successful strategy based on customer partnership, innovation and an Open Access model makes the Group strongly positioned to make further progress as a well diversified financial markets infrastructure business with a global footprint

2016 Highlights

- Total income up 17% to £1,657.1 million (2015: £1,418.6 million)

- Total revenue up 14% to £1,515.6 million (2015: £1,324.7 million)

- Adjusted operating expenses[2] continue to be well controlled, at £791.6 million - up 4% on an organic and constant currency basis as the Group invests in growth and efficiency projects

- FTSE Russell delivered strong growth and integration synergies of US$78 million p.a. are ahead of schedule; on track to reach €40 million of annual cost savings at LCH by end of 2017

- Adjusted operating profit[2] up 17% at £685.8 million (2015: £584.7 million); operating profit of £426.8 million (2015: £404.4 million); adjusted profit before tax[2] up 21% at £623.1 million (2015: £516.4 million)

- Adjusted EPS[2] up 21% at 124.7 pence (2015: 103.4 pence); basic EPS of 63.8 pence (2015: 74.8 pence)

- Proposed final dividend increased to 31.2 pence per share - a 20% increase in the full year dividend to 43.2 pence per share – reflecting the strong outlook for the Group

- New initiatives and achievements in the year include:

  - SwapClear saw a 25% increase in clearing volumes at over US$665 trillion notional and provided record compression of US$384 trillion; new portfolio margining service, LCH Spider, launched on an open access basis
  - CurveGlobal, a new listed interest rate futures platform, successfully launched in partnership with major dealer banks and CBOE – onboarding a growing number of clients and increased trading flow
  - Continued volume growth at CDSClear and ForexClear – driven by regulatory changes
  - FTSE Russell launched a Low Carbon Economy data model and accompanying Green Revenue Index Series
  - Announced acquisition of Mergent Inc., a leading US provider of business and financial information on companies, to further build the Information Services portfolio
  - ELITE, our platform for high growth companies, now operational in 25 countries with nearly 500 companies

- Sale of Russell Investment Management successfully completed, for gross proceeds of US$1,150 million – resulting in an implied multiple of 18x EBITDA (pre synergies) for the retained, high growth Russell Indices business, now integrated with FTSE

- The Group continues to work hard on its proposed merger with Deutsche Börse AG – awaiting outcome of the European Commission Phase II process on or before 3 April 2017

[1] continuing operations exclude businesses sold, being Russell Investment Management and Proquote.
[2] before amortisation of purchased intangible assets and non-recurring items.

Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF. The Group's principal foreign exchange exposure arises from translating our European-based Euro and US based US Dollar reporting businesses into Sterling.

Commenting on performance for the year, Xavier Rolet, Group Chief Executive, said:

"The Group continues to execute against its strategic objectives, driving both short and longer term growth through organic investment and selective inorganic opportunities. This has resulted in another year of strong financial performance, with continued revenue growth, control of underlying expenses and a 21% increase in adjusted earnings per share. Each of our business areas delivered year-on-year growth, highlighting the strength in the diversity of our business, launching new products such as LCH Spider, new services in partnership with customers such as CurveGlobal and Turquoise Plato, and expanding our global footprint with acquisitions such as Mergent Inc.

"FTSE Russell produced another good top line performance and the integration savings are now mostly achieved, ahead of schedule. The LCH OTC clearing services performed well, particularly SwapClear and its compression services. We remain well positioned across all our businesses, underpinned by our Open Access approach and strong customer partnerships."

Financial Summary

Unless otherwise stated, all figures below refer to continuing operations for the year ended 31 December 2016. Comparative figures are for continuing operations for the year ended 31 December 2015. Variance is also provided on an organic and constant currency basis.

	Twelve months ended 31 December			Organic and constant currency
Continuing operations	**2016 £m**	**2015 £m**	**Variance %**	**variance[1] %**
Revenue				
Capital Markets [1]	**368.3**	330.3	12%	6%
Post Trade Services - CC&G and Monte Titoli	**103.7**	89.8	15%	3%
Post Trade Services - LCH	**356.5**	302.1	18%	10%
Information Services [1]	**594.7**	517.4	15%	7%
Technology Services [1]	**88.3**	80.6	10%	4%
Other revenue	**4.1**	4.5	-	-
Total revenue	**1,515.6**	1,324.7	14%	7%
Net treasury income through CCP business	**124.8**	85.7	46%	31%
Other income	**16.7**	8.2	-	-
Total income	**1,657.1**	1,418.6	17%	9%
Cost of sales	**(174.8)**	(125.5)	39%	30%
Gross profit	**1,482.3**	1,293.1	15%	7%
Operating expenses	**(791.6)**	(708.4)	12%	4%
Share of loss after tax of associate	**(4.9)**	-	-	-
Adjusted operating profit [2]	**685.8**	584.7	17%	10%
Amortisation of purchased intangible assets and non-recurring items	**(259.0)**	(180.3)	44%	33%
Operating profit	**426.8**	404.4	6%	(1%)
Earnings per share				
Basic earnings per share (p)	**63.8**	74.8	(15%)	
Adjusted basic earnings per share (p) [2]	**124.7**	103.4	21%	
Dividend per share (p)	**43.2**	36.0	20%	

[1]*Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF. The Group's principal foreign exchange exposure arises from translating our European based euro and US based dollar reporting businesses into Sterling.*

[2] *before amortisation of purchased intangible assets and non-recurring items.*

Unless otherwise stated, all figures refer to the 12 months ended 31 December 2016 and comparisons are against the same corresponding period in the previous year.

Contacts:

London Stock Exchange Group plc

Gavin Sullivan	Media	+44 (0) 20 7797 1222
Paul Froud	Investor Relations	+44 (0) 20 7797 3322

Corporate Brokers

Kunal Gandhi - Barclays	+44 (0) 20 7623 2323
Oliver Hearsey - RBC Capital Markets	+44 (0) 20 7653 4000

Further information

The Group will host a conference call on its Preliminary Results for analysts and institutional shareholders today at 09:00am (GMT). On the call will be Xavier Rolet (CEO), David Warren (CFO) and Paul Froud (Head of Investor Relations).

Participant UK Dial-In Numbers: 0800 694 0257
Participant Std International Dial-In: +44 (0) 1452 555 566
Conference ID # 7561 4680

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

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

The information in the preliminary announcement of the results for the year ended 31 December 2016, which was approved by the Board of Directors on 2 March 2017, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The financial statements for the year ended 31 December 2015 were filed with the Registrar of Companies, and the audit report was unqualified and contained no statements in respect of Sections 498 (2) and 498 (3) of the UK Companies Act 2006. The financial statements for the year ended 31 December 2016 will be filed with the Registrar of Companies in due course.
In accordance with the Listing Rules of the UK Listing Authority, these preliminary results have been agreed with the Company's auditors, Ernst &Young LLP, and the Directors have not been made aware of any likely modification to the auditor's report to be included in the Group's Annual Report and Accounts for the year ended 31 December 2016.
The preliminary results have been prepared on a basis consistent with the accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 December 2016.

Chief Executive's Review

2016 has been another notable year of achievement for London Stock Exchange Group as we build on our position as a leading global markets infrastructure company. We have achieved a strong financial and operational performance with growth and investment across all of our core businesses, delivering on a number of new initiatives and developing our customer partnership approach. The Group is truly diversified by business activity, by geography and by currency, providing resiliency across market cycles and opportunity for continued growth. We operate a full range of Open Access market infrastructure services, at scale, around the world including in the UK, Europe, Asia and the US. This makes the Group well positioned to navigate political and macroeconomic changes in the coming years, adapting as needed to continue to serve our global customer base.

Partnership

Our customer partnership approach and Open Access operating model, which provides true customer choice, are distinctive and differentiating features of our business model which continue to deliver clear benefits. An example is Turquoise Plato, a new partnership which formally brings together, for the first time, buy-side, sell-side and trading venue to deliver increased efficiencies in anonymous European equity block trading. The rebranded Turquoise Plato Block Discovery and Turquoise Plato Uncross platforms have demonstrated strong growth throughout the year with record trading volumes, reflecting investor demand for trading services that will meet the requirements of the impending MiFID II regulation. CurveGlobal, a new interest rate derivatives venture, is another good example of partnership and a business that will also benefit from MiFID II regulation. Its innovative structure, bringing together LSEG with seven major dealer banks and another exchange, CBOE, makes it uniquely equipped to address the need for capital-efficient interest rates products. It has made a positive start since launching in September, offering genuine new competition for the market and making portfolio margining available to a greater number of market participants. The Group's technology companies, including MillenniumIT and GATElab have also continued to develop partnerships with exchange operators around the world including an ultra low-latency access gateway to the National Stock Exchange of India.

Global capital

LSEG remains firmly committed to promoting a financial ecosystem that helps businesses raise capital to grow. Long-term, patient, risk capital is the only way to drive growth and job creation not just in the UK but across Europe. We continue to promote initiatives such as our flagship ELITE programme supporting high growth SMEs, which now has more than 700 companies, advisers and investors across 25 countries within its community. As well as announcing ELITE partnerships in Israel, Morocco and Hungary, we also launched ELITE Club Deal, a new online private placement platform to help bridge the funding gap by bringing together professional investors and high growth companies. Despite a volatile market, the Group welcomed 134 companies to our markets in the UK and Italy raising a combined total of £25.6billion in new and further issues. AIM, now in its 22nd year, again demonstrated why it is recognised as the world's leading growth market with companies joining in 2016 seeing their average price performance rise by 41%. Since launch, AIM has enabled companies from across the UK and around the world to raise over £100 billion, underlying the market's ability to act as a vital source of growth capital.

In fixed income, London's position as a leading international financial centre is reflected in its ability to offer investors a wide range of innovative products and we have deepened our footprint in two of the world's high-growth economies, China and India. London Stock Exchange is the only international exchange outside Greater China that has bond listings from all four major Chinese banks as well as the China Development Bank and, in June 2016, we were honoured to be chosen as the venue for the listing of the first Chinese sovereign RMB bond to be issued outside of mainland China. In India, London Stock Exchange has the most comprehensive masala bonds offering of any major international exchange with the 33 masala bonds having raised the equivalent of around US$4.2 billion.

Sustainability

LSEG has supported investors and issuers in the transition to a low carbon and sustainable economy for over a decade, developing products and services in close collaboration with the market. FTSE Russell, in particular, has long been a pioneer in the development of ESG benchmarking tools. In June, FTSE Russell launched an advanced new data model that tracks companies generating green revenues, a critical component missing from investors' current sustainability models. The Low Carbon Economy (LCE) data model and accompanying Green Revenue Index Series complements FTSE Russell's existing benchmarks in this space, capturing managed exposure to companies engaged in the green transition on a country, regional or global basis. London Stock Exchange has been a leading innovator in the space of green bond issuance and was the first exchange to join the climate bonds initiative. There are currently 40 green bonds listed in London which have raised a combined US$10.5 billion across seven currencies and a diverse set of issuers. LSEG intends to continue broadening its offering and has launched a new Global Sustainable Investment Centre portal to bring together the Group's activities in this space.

Investment in growth and innovation

We continue to focus on investing for growth and on achieving the benefits of our integration projects from previous acquisitions through delivering the stated cost and revenue synergies from recent transactions.

FTSE Russell has continued to perform strongly in 2016 and we are already seeing positive results, ahead of schedule, from the integration of the two index businesses with new mandates, integrated sales systems and a growing global business. FTSE Russell indexes are used throughout the investment and trading value cycle and they are well positioned to capitalise, for example, on the rapid expansion of the ETF market. The global ETF market currently represents around US$3.5 trillion in assets under management and FTSE Russell's indexes are extensively being chosen as the benchmark for ETF issuers around the world. In November, we also announced the acquisition of Mergent Inc., a leading provider of business and financial information on public and private companies. The acquisition will support the growth of FTSE Russell's core index offering, supplying underlying data and analytics for the creation of a wide range of indexes.

In post trade, LCH launched its new portfolio margining service, LCH Spider, using the world's largest interest rate derivatives liquidity pool from SwapClear. LCH Spider allows users, on an Open Access basis, to maximise their margin offsets between OTC and listed derivatives and we have been pleased with member interest to date. In 2016, SwapClear saw a 25 per cent increase in clearing volumes, clearing a total US$666 trillion for its members and their clients. In addition, SwapClear compressed a record US$384 trillion in notional in 2016 as capital and balance sheet management continues to be a top priority for banks impacted by regulatory capital requirements. We have also seen members ramping up their clearing activity in LCH's broader OTC services with significant volume growth at its CDSClear and ForexClear services. The launch of LCH SwapAgent, due to go live later this year will deliver the improved standardisation, efficiency and simplicity that the non-cleared derivatives market has long been seeking.

Following the successful conclusion of the joint feasibility study between LSEG and the Shanghai Stock Exchange, it was confirmed, during the UK Government's Economic and Financial Dialogue (EFD) with the Government of China in November, that we would move to the next phase of researching and preparing implementation arrangements for the London-Shanghai Stock Connect. This is a long term project which will help domestic and international investors access markets and is a key part of the strategic partnership between our two exchanges.

Proposed Merger

The Group has worked hard on our proposed merger with Deutsche Börse, which received formal approval from both sets of shareholders. This would be an industry-defining combination, expanding our presence as a global markets infrastructure group, anchored in Europe and we firmly believe that it would deliver significant customer and shareholder benefits through the acceleration of our complementary growth strategies, products, services and geographic footprint. The next milestone is expected to be the outcome of European Commission Phase II process on or before 3 April 2017.

Outlook

One of the key events in 2016 was undoubtedly the vote by the citizens of the UK to leave the European Union. For LSEG, the immediate challenge presented by the vote was to ensure we maintained secure and stable markets for our customers, however volatile the conditions. We met this challenge admirably - across all of our markets and clearing houses - and I would like to offer my congratulations to everyone across the Group who was involved in delivering such seamless continuity. Of course, the more profound consequences of the UK Referendum will take much longer to work themselves out. However, as a well diversified Group with a global footprint, we are well positioned to adapt as needed and, most importantly, to follow and continue to serve our customers as they make decisions about their business.

We remain focused on delivering innovation, partnership and Open Access to our customers and value for our shareholders. The Group is strongly positioned and our commitment to partnering with customers and our Open Access philosophy means that the Group will be able to take full advantage of the MiFID II implementation from January next year. The new rules will deliver greater choice and competition to European financial markets and we are working closely with market participants to ensure a smooth transition. We continue to see opportunities for growth across all of our market-leading businesses and the Group will execute against its strategic objectives, driving both short and longer term growth through organic investment and selective inorganic opportunities.

Financial review

The financial review covers the financial year ended 31 December 2016.

Commentary on performance uses variances on a continuing organic and constant currency basis, unless otherwise stated. Constant currency is calculated by rebasing 2015 at 2016 foreign exchange rates. Sub-segmentation of revenues are unaudited and are shown to assist the understanding of performance.

Disclosure is provided for cost of sales which mainly comprise data and licence fees, data feed costs, expenses incurred in respect of revenue share arrangements 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.

Highlights

On a reported basis:

- Total income of £2,047.9 million (2015: £2,381.5 million) decreased by 14%, and total revenue of £1,905.1 million (2015: £2,285.4 million) decreased by 17%. Adjusted operating expenses* of £954.3 million (2015: £1,052.0 million) decreased by 9%
- Adjusted operating profit* of £713.6 million (2015: £709.6 million) increased by 1%
- Operating profit of £530.0 million (2015: £499.9 million) increased by 6%
- Adjusted basic earnings per share* of 129.7 pence (2015: 129.4 pence) was flat
- Cash generated from operations of £598.3 million (2015: £670.4 million) decreased 11%
- Year end operating net debt to adjusted EBITDA* at 1.1 times (2015: 1.7 times), within the Group's normal target range of 1–2 times

On a continuing basis:

- Total income of £1,657.1 million (2015: £1,418.6 million) increased by 17% and total revenue of £1,515.6 million (2015: £1,324.7 million) increased by 14%
- Adjusted operating profit* of £685.8 million (2015: £584.7 million) increased by 17%
- Operating profit of £426.8 million (2015: £404.4 million) increased by 6%
- Adjusted basic earnings per share* of 124.7 pence (2015: 103.4 pence) increased by 21%
- Basic earnings per share of 63.8 pence (2015: 74.8 pence) decreased by 15%

David Warren
Group Chief Financial Officer

* London Stock Exchange Group uses non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. As in previous years, adjusted operating profit, adjusted profit before tax and adjusted earnings per share all exclude amortisation and impairment of purchased intangibles assets and goodwill and non-recurring items. The non-recurring items for this year are larger than in previous years and the increase is primarily driven by transaction costs of £85.4 million and a loss after tax of £88.2 million relating to the disposal of the Russell Investment Management business.

Revenue	12 months ended 31 Dec 2016 Continuing £m	Discontinued £m	Total £m	12 months ended 31 Dec 2015 Continuing £m	Discontinued £m	Total £m	Continuing Variance %	Variance at organic and constant currency[2] %
Capital Markets	**368.3**	**–**	**368.3**	330.3	–	330.3	12	6
Post Trade Services – CC&G and Monte Titoli	**103.7**	**–**	**103.7**	89.8	–	89.8	15	3
Post Trade Services – LCH	**356.5**	**–**	**356.5**	302.1	–	302.1	18	10
Information Services	**594.7**	**–**	**594.7**	517.4	7.6	525.0	15	7
Technology Services	**88.3**	**–**	**88.3**	80.6	–	80.6	10	4
Russell Investment Management	**–**	**389.5**	**389.5**	–	953.1	953.1	–	–
Other	**4.1**	**–**	**4.1**	4.5	–	4.5	(9)	(3)
Total revenue	**1,515.6**	**389.5**	**1,905.1**	1,324.7	960.7	2,285.4	14	7
Net treasury income through CCP businesses	**124.8**	**–**	**124.8**	85.7	–	85.7	46	31
Other income	**16.7**	**1.3**	**18.0**	8.2	2.2	10.4	104	100
Total income	**1,657.1**	**390.8**	**2,047.9**	1,418.6	962.9	2,381.5	17	9
Cost of sales	**(174.8)**	**(200.3)**	**(375.1)**	(125.5)	(494.9)	(620.4)	39	30
Gross profit	**1,482.3**	**190.5**	**1,672.8**	1,293.1	468.0	1,761.1	15	7
Operating expenses[1]	**(791.6)**	**(162.7)**	**(954.3)**	(708.4)	(343.6)	(1,052.0)	12	4
Share of (loss)/profit after tax of associates	**(4.9)**	**–**	**(4.9)**	–	0.5	0.5	–	–
Adjusted operating profit[1]	**685.8**	**27.8**	**713.6**	584.7	124.9	709.6	17	10
Operating profit	**426.8**	**103.2**	**530.0**	404.4	95.5	499.9	6	(1)
Adjusted basic earnings per share[1]	**124.7p**	**5.0p**	**129.7p**	103.4p	26.0p	129.4p	21	–
Basic earnings per share	**63.8p**	**(20.3p)**	**43.5p**	74.8p	19.8p	94.6p	(15)	–

1. Before amortisation of purchased intangible assets and non-recurring items.
2. Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF

Capital Markets

Revenue	12 months ended 31 Dec 2016 £m	12 months ended 31 Dec 2015 £m	Variance %	Variance at organic and constant currency[1] %
Primary Markets	**90.8**	88.8	2	-
Secondary Markets Equities	**164.9**	143.7	15	12
Secondary Markets – Fixed Income, Derivatives and other	**112.6**	97.8	15	3
Total revenue	**368.3**	330.3	12	6
Cost of sales	**(22.5)**	(15.1)	49	49
Gross profit	**345.8**	315.2	10	4
Operating expenses[2]	**(169.0)**	(144.3)	17	–
Operating profit[2]	**176.8**	170.9	3	–

[1]Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF.
[2]Operating expenses and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects.

Capital Markets revenue, which mainly comprises Primary and Secondary Market activities, was £368.3 million (2015: £330.3 million).

Capital Markets revenue increased by 6% driven by strong Secondary Markets trading and robust Primary Markets performance. Continued strong equity trading volumes and value traded resulted in a 12% increase in equity trading revenue. Primary Markets revenues were in line with prior year on a constant currency basis despite the uncertainty created from the UK referendum, which led to a reduction in Main Market issuances.

In Primary Markets, the total amount of capital raised across our markets, both through new and further issues, decreased by 39% to £25.6 billion (2015: £41.7 billion). New issues for the UK Main Market decreased whilst there was an increase in UK AIM listings. In total there were 51 issues on our UK Main Market (2015: 88), 19 in Italy (2015: 27) whilst there were 64 on AIM (2015: 61). Looking ahead, the pipeline of companies looking to join our markets remains promising.

In Secondary Markets, Italian equity trading volumes increased by 5% due to market volatility to 295,000 trades per day (2015: 280,000). In the UK, average order book daily value traded rose by 4% at £5.1 billion (2015: £4.9 billion). Trading on Turquoise, our pan-European equities platform, delivered a 26% rise in average daily equity value traded, to €5.4 billion (2015: €4.3 billion).

Fixed income and Derivatives revenue was relatively unchanged reflecting a 10% increase in derivatives volumes, with growth mostly in Italian derivatives. This was offset by declines of MTS Cash and BondVision notional value by 3%, MTS Repo declined by 5%.

Cost of sales rose by 49% on strong Turquoise revenues with gross profit up by 4%.

Operating expenses increased by 17% on a year on year basis to £169.0 million (2015: £144.3 million) with the main driver being foreign exchange movements from a weakening in Sterling relative to the Euro.

Operating profit increased by 3% to £176.8 million (2015: £170.9 million).

Post Trade Services – CC&G and Monte Titoli

Revenue	**12 months ended 31 Dec 2016** £m	**12 months ended 31 Dec 2015** £m	**Variance** %	**Variance at organic and constant currency[1]** %
Clearing (CC&G)	**42.5**	38.0	12	(1)
Settlement, Custody and Other (MT + gS)	**61.2**	51.8	18	5
Total revenue	**103.7**	89.8	15	3
Inter-segmental revenue	**0.6**	0.9	(33)	–
Net treasury income (CC&G)	**42.6**	29.3	45	29
Total income	**146.9**	120.0	22	9
Cost of sales	**(12.6)**	(6.7)	88	68
Gross profit	**134.3**	113.3	19	6
Operating expenses[2]	**(81.9)**	(61.5)	33	–
Operating profit[2]	**52.4**	51.8	1	–

[1]Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF.
[2]Operating expenses and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects.

Post Trade Services income, which comprises of clearing (CC&G), settlement and custody activities (both Monte Titoli), was £146.3 million excluding inter-segmental income (2015: £119.1 million).

Clearing revenues decreased by 1% influenced by a fall in fails fees after European T2S settlement system go-live. Excluding fail fees, clearing revenues were favourable to prior year by 7% reflecting higher derivatives and equity clearing volumes. Settlement, custody and other revenues increased by 5% in the Monte Titoli business, mainly due to custody revenues following the pricing change applied from May.

CC&G generates net treasury income by investing the cash margin held, retaining any surplus or deficit after members are paid a return on their cash collateral contributions. Net treasury income increased by 29% benefitting from favourable spreads driving income in 2016. The average daily initial margin at €12.1 billion is substantially in line with 2015 (€12.3 billion).

Cost of sales rose by 68% as a result of a full year of Monte Titoli using the T2S settlement system with gross profit up by 6%.

Operating expenses increased by 33% with the main drivers being foreign exchange movements from a weakening in Sterling relative to the Euro and some specific technology assets impairment related to globeSettle (gS) of £7.8 million.

Operating profit increased by 1% to £52.4 million (2015: £51.8 million).

Post Trade Services - LCH

Revenue	**12 months ended 31 Dec 2016** £m	**12 months ended 31 Dec 2015** £m	**Variance** %	**Variance at organic and constant currency[1]** %
OTC	**190.6**	156.8	22	16
Non-OTC	**116.5**	114.5	2	(8)
Other	**49.4**	30.8	60	59
Total revenue	**356.5**	302.1	18	10
Net treasury income	**82.2**	56.4	46	29
Other income	**8.4**	2.2	282	285
Total income	**447.1**	360.7	24	15
Cost of sales	**(55.8)**	(28.3)	97	89
Gross profit	**391.3**	332.4	18	9
Operating expenses[2]	**(267.8)**	(241.5)	11	–
Operating profit[2]	**123.5**	90.9	36	–

[1]Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF.

[2]Operating expenses and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects.

Post Trade Services – LCH comprises the Group's majority owned global clearing business. Total income was £447.1 million (2015: £360.7 million).

OTC clearing revenue was £190.6 million with growth of 16% driven by continued strong growth in SwapClear, predominantly in client clearing with trade volume increasing by 40% to 952,000 (2015: 678,000). SwapClear membership increased to 107, after adjusting for the cessation of the US membership category (2015 comparable members 101, which is 116 including 15 US memberships).

Non-OTC clearing revenue decreased by 8%. Competitive forces in equities and derivative markets saw a 5% decline in revenues. Fixed income revenue was stable year on year following the favourable impact to clearing volumes as a result of leverage ratio rules for customers under Basel III, which offset the general volume decline in these markets.

Other revenue grew by 59% through increased non cash collateral fees and compression in SwapClear with a 17% increase to US$384 trillion compressed (2015: US $328 trillion). Compression increases the efficiency of portfolios which can lower regulatory capital requirements for customers.

Net treasury income increased by 29% to £82.2 million through an increase in average cash collateral held of 18% driven by growth in SwapClear.

Cost of sales increased 89% mainly due to growth in SwapClear and the associated increase in share of surplus which includes all income streams. However, gross profit increased by 9% to £391.3 million.

Operating expenses increased by 11% with the main driver being foreign exchange movements from a weakening in Sterling relative to the Euro, and higher depreciation from investment to support growth.

Operating profit increased by 36% to £123.5 million (2015: £90.9 million).

Information Services

Revenue	**12 months ended 31 Dec 2016** £m	**12 months ended 31 Dec 2015** £m	**Variance** %	**Variance at organic and constant currency[1]** %
FTSE Russell Indexes	**409.3**	348.9	17	7
Real Time Data	**90.9**	82.2	11	7
Other Information Services	**94.5**	86.3	10	6
Total revenue	**594.7**	517.4	15	7
Cost of sales	**(54.4)**	(45.4)	20	15
Gross profit	**540.3**	472.0	14	6
Operating expenses[2]	**(204.5)**	(201.4)	2	–
Operating profit[2]	**335.8**	270.6	24	–

[1]Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF.
[2]Operating expenses and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects.

Information Services provides global indices products, real time pricing data, product identification, reporting and reconciliation services. Information Services revenue was £594.7 million (2015: £517.4 million).

FTSE Russell's revenue increased by 7% driven by strong subscriptions and data sales, growth in index based products, and supported by continued high subscription renewal rates. Annual run rate revenue synergies following the 2014 acquisition of Frank Russell Company of US$30m are being targeted by the end of 2017 and are on track to be achieved ahead of schedule.

Real time data revenue increased by 7% year on year due to a focus on enterprise licensing and increased use of non-display applications, whilst the number of terminals decreased by 3% to 200,000 (2015: 207,000).

Other Information Services revenues rose by 6% mainly as a result of continued growth of both UnaVista, driven by continued user base expansion for regulatory reporting, trade confirmations and reconciliations, and SEDOL from continued licence growth.

Cost of sales rose by 15% mainly as a result of increased data charges and partnership costs, both related to growth in FTSE Russell revenues. Gross profit rose in line with revenue growth at 6%.

Operating expenses of £204.5 million (2015: £201.4 million) were broadly flat year on year with cost synergies relating to the integration of Frank Russell Company partially offset by investment to support growing revenues and foreign exchange movements from a weakening in Sterling relative to the US Dollar.

Operating profit rose by 24% to £335.8 million (2015: £270.6 million), driven largely by FTSE Russell.

Technology Services

	12 months ended 31 Dec 2016 £m	**12 months ended 31 Dec 2015** £m	**Variance** %	**Variance at organic and constant currency[1]** %
Revenue	**88.3**	80.6	10	4
Inter-segmental revenue	**15.9**	12.9	23	–
Total income	**104.2**	93.5	11	5
Cost of sales	**(27.8)**	(28.3)	(2)	(6)
Gross profit	**76.4**	65.2	17	11
Operating expenses[2]	**(63.6)**	(58.8)	8	–
Operating profit[2]	**12.8**	6.4	100	–

[1] Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF.

[2] Operating expenses and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects.

Technology Services provides hosting solutions, client connectivity and software products for the Group and third parties. Third party revenue increased by 4% to £88.3 million driven by growth across the solutions offered.

Cost of sales decreased by 6% and combined with the strong revenue performance drove a gross profit increase of 11%.

Operating expenses increased by 8% to £63.6 million (2015: £58.8 million) driven by the centralisation of IT services into a shared services centre to drive operational efficiencies. In addition, there were set up costs related to the acquisition of Exactpro, continued Group technology investment and foreign exchange movements from a weakening in Sterling relative to the Euro.

Operating profit was up by 100% to £12.8 million (2015: £6.4 million).

Operating Expenses (Continuing Operations)

On a continuing basis Group operating expenses before amortisation of purchased intangible assets and non-recurring items were £791.6 million (2015: £708.4 million).

Operating expenses increased by 4% on an organic, constant currency basis. Net underlying costs, excluding inflation and the one-off impairment of specific technology assets relating to globeSettle, were up 1%. This reflects increases in expenditure, including depreciation, from investing in revenue-supporting projects, and preparing for regulatory change partially offset by achievement of cost synergies following the Frank Russell acquisition and LCH initiatives (which amounted to £36 million in 2016). The Group's underlying operating expenses, including depreciation and amortisation, are expected to rise slightly in the next year as we continue investment in a number of products and services that will drive further growth and improve operating efficiencies.

Discontinued Operations

Discontinued operations comprises the Russell Investment Management business and contributed adjusted operating profit of £27.8 million to the Group, before it was sold on 31 May 2016.

Non-Recurring Items and Purchased Intangible Assets

Additional charges included £85.4 million of merger and acquisition-related costs, £13.8 million of restructuring costs and £3.2 million of integration costs. There was also a loss after tax of £88.2 million relating to the disposal of the Russell Investment Management business.

Finance Income and Expense and Taxation

Net finance costs were £62.7 million, down £5.6 million on the prior year on a continuing basis.

The effective tax rate ('ETR') for the year in respect of continuing underlying operations and including the effect of prior year adjustments is 22.5% (2015: 24.0%). This reflects reductions in both the UK and Italian tax rates, the mix of profits in the Group and finalisation of prior year tax returns. Removing the prior year impact would give an underlying continuing ETR of 22.3%.

The UK tax rate is due to fall to 19% from 1 April 2017 to 17% in 2020 which we would expect to impact overall ETR in due course. The contribution of continued underlying operations in the US towards the ETR was stable in the period, however, there are uncertainties with regard to the future contribution of US continued underlying operations to ETR. This is due to potential changes to the US tax system to be proposed by the new US administration as well as changes proposed to existing US double tax treaties which have not yet come into force.

Cash Flow and Balance Sheet

The Group's business continued to be strongly cash generative during the year, with cash generated from operations of £598.3 million (2015: £670.4 million). Total cash inflow from investing activities in the year was £243.1 million (2015 outflow: £86.0 million) principally due to £409.1 million from the sale of the Russell Investment Management business, partially offset by £145.8 million of capital expenditure (2015: £117.3 million).

At 31 December 2016, the Group had net assets of £3,613.7 million (2015: £3,196.1 million). The central counterparty clearing business assets and liabilities within LCH and

CC&G largely offset each other but are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties.

Net debt

31 December	**2016** £m	**2015** £m
Gross borrowings	**1,165.9**	1,608.9
Cash and cash equivalents	**(1,150.7)**	(1,176.4)
Net derivative financial liabilities/(assets)	**19.3**	(47.9)
Net debt	**34.5**	384.6
Regulatory and operational cash	**847.6**	888.1
Operating net debt	**882.1**	1,272.7

At 31 December 2016, the Group had operating net debt of £882.1 million after setting aside £847.6 million of cash and cash equivalents held to support regulatory and operational requirements, including regulated cash and cash equivalents at LCH Group together with further amounts covering requirements at other LSEG companies.

The Group's gross borrowings decreased by £443.0 million during the period to 31 December 2016, with the proceeds of the Russell Investment Management disposal and free cash generated by the Group during the year (after capex, taxes, interest and dividends), applied to repay the 2006 10 year £250 million bond in July 2016 and reduce short dated bank borrowings.

In November 2016, the Group extended the £600 million unsecured, revolving, syndicated bank facility it had arranged in 2015, taking further advantage of favourable market conditions to extend the maturity profile of its debt and provide comfortable headroom for the medium term. The new facility is committed through to November 2021. The Group also took the opportunity to extend its other £600 million syndicated facility by 12 months to 25 June 2017 to provide additional financial flexibility in the short term. At 31 December 2016, the Group had debt and committed credit lines totalling £1,920.5 million, with maturities extending from May 2017 out to 2021. With over £700 million of undrawn bank lines available, together with strong cash generation and improving credit metrics (described below), the Group continues to be well positioned to fund future growth, with scope for further refinancing in 2017 to underpin its longer term debt capital positioning.

The Group's interest cover, the coverage of net finance expense by EBITDA (consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation, foreign exchange gains or losses and non-recurring items), increased to 13.0 times (31 December 2015: 11.7 times) in the 12 months to 31 December 2016. This was driven primarily by lower interest costs due to an overall reduction of debt and the repayment of the 2006 10 year £250 million bond in July with relatively low cost bank facilities. The Group's organic cash generation remained strong with leverage (operating net debt to EBITDA updated to account for the EBITDA of acquisitions or disposals undertaken in the period) reducing to 1.1 times at 31 December 2016 (31 December 2015: 1.7 times). The Group benefitted from the proceeds from the disposal of the Russell Investment Management business in the first half of the year and leverage now stands well within the targeted range.

The Group's long-term credit rating with both Moody's and S&P remained unchanged during the year, but improved outlooks from both agencies reflect the positive sentiment towards the Group derived from the Deutsche Börse AG merger announcement and the achievement of its leverage targets. Moody's maintained LSEG at Baa1 and changed its outlook from stable to positive. S&P kept its BBB+ rating unchanged and placed the Group on credit watch positive. For LCH, S&P maintained its A+ long term rating but moved the outlook from stable to credit watch negative with the potential outcome limited to a one notch downgrade subject to possible implications for that business should the merger proceed.

Foreign exchange

	2016	2015
Spot £/€ rate as 31 December	**1.17**	1.36
Spot £/$ rate as 31 December	**1.23**	1.47
Average £/€ rate for the year	**1.22**	1.38
Average £/$ rate for the year	**1.36**	1.53

The Group's principal foreign exchange exposure arises as a result of translating its foreign currency earnings, assets and liabilities into LSEG's reporting currency of Sterling. For the 12 months to 31 December 2016, for continuing operations, the main exposures for the Group were its European based Euro reporting businesses and its US based operations, principally FTSE Russell. A 10 Euro cent movement in the average £/€ rate for the year and a 10 cent movement in the average £/$ rate for the year would have changed the Group's continuing operating profit for the year before amortisation of purchased intangible assets and non-recurring items by approximately £25 million and £16 million, respectively.

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

Earnings per share

The Group recorded an adjusted basic earnings per share, which excludes amortisation of purchased intangible assets and non-recurring items, of 129.7 pence (2015: 129.4 pence). Basic earnings per share were 43.5 pence, a decrease of 54% (2015: 94.6 pence). The non-recurring items for this year are larger than in previous years and the increase is primarily driven by transaction costs of £85.4 million and a loss after tax of £88.2 million relating to the disposal of the Russell Investment Management business.

Dividend

The Board is proposing a final dividend of 31.2 pence per share, which together with the interim dividend of 12.0 pence per share paid to shareholders in September 2016, results in a 20% increase in the total dividend to 43.2 pence per share. The final dividend will be paid on 31 May 2017 to shareholders on the register as at 5 May 2017.

In addition, reflecting agreement as part of the proposed merger with Deutsche Börse AG, LSEG shareholders are entitled to receive a special dividend of 58.2 pence per share, which is an equalising payment to reflect the value attributable based on the proposed payment of a dividend by Deutsche Börse to its shareholders. The payment of the special dividend is contingent on completion of the merger of LSEG and Deutsche Börse AG, and will be paid to LSEG shareholders on the register at the earlier of 30 June 2017 and close of business on the date prior to closing.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2016

		2016			2015		
		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**
	Notes	£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	2	**1,515.6**	**-**	**1,515.6**	1,324.7	-	1,324.7
Net treasury income through CCP business	2	**124.8**	**-**	**124.8**	85.7	-	85.7
Other income	2	**16.7**	**-**	**16.7**	8.2	-	8.2
Total income		**1,657.1**	**-**	**1,657.1**	1,418.6	-	1,418.6
Cost of sales	2	**(174.8)**	**-**	**(174.8)**	(125.5)	-	(125.5)
Gross profit		**1,482.3**	**-**	**1,482.3**	1,293.1	-	1,293.1
Expenses							
Operating expenses	3,5	**(791.6)**	**(259.0)**	**(1,050.6)**	(708.4)	(180.8)	(889.2)
Gain on disposal of assets held for sale	5	**-**	**-**	**-**	-	0.5	0.5
Share of loss after tax of associates	2	**(4.9)**	**-**	**(4.9)**	-	-	-
Operating profit/(loss)	5	**685.8**	**(259.0)**	**426.8**	584.7	(180.3)	404.4
Finance income		**7.1**	**-**	**7.1**	2.9	-	2.9
Finance expense		**(69.8)**	**-**	**(69.8)**	(71.2)	-	(71.2)
Net finance expense	6	**(62.7)**	**-**	**(62.7)**	(68.3)	-	(68.3)
Profit/(loss) before tax from continuing operations		**623.1**	**(259.0)**	**364.1**	516.4	(180.3)	336.1
Taxation	7	**(140.4)**	**38.8**	**(101.6)**	(124.1)	76.0	(48.1)
Profit/(loss) for the year from continuing operations		**482.7**	**(220.2)**	**262.5**	392.3	(104.3)	288.0
Discontinued operations							
Profit/(loss) after tax for the year from discontinued operations	8	**18.6**	**(88.2)**	**(69.6)**	90.8	(21.7)	69.1
Profit/(loss) for the year		**501.3**	**(308.4)**	**192.9**	483.1	(126.0)	357.1
Equity holders							
Profit/(loss) for the year from continuing operations		**435.1**	**(212.5)**	**222.6**	358.7	(99.1)	259.6
Profit/(loss) for the year from discontinued operations	8	**17.5**	**(88.2)**	**(70.7)**	90.4	(21.7)	68.7
Profit/(loss) for the year attributable to equity holders		**452.6**	**(300.7)**	**151.9**	449.1	(120.8)	328.3
Non-controlling interests							
Profit/(loss) for the year attributable to non-controlling interests from continuing operations		**47.6**	**(7.7)**	**39.9**	33.6	(5.2)	28.4
Profit for the year attributable to non-controlling interests from discontinued operations	8	**1.1**	**-**	**1.1**	0.4	-	0.4

Profit/(loss) for the year attributable to non-controlling interests		**48.7**	**(7.7)**	**41.0**	34.0	(5.2)	28.8
		501.3	**(308.4)**	**192.9**	483.1	(126.0)	357.1
Earnings per share attributable to equity holders							
Basic earnings per share	10			**43.5p**			94.6p
Diluted earnings per share	10			**42.6p**			93.2p
Adjusted basic earnings per share	10			**129.7p**			129.4p
Adjusted diluted earnings per share	10			**127.2p**			127.6p
Earnings per share for continuing operations attributable to equity holders							
Basic earnings per share	10			**63.8p**			74.8p
Diluted earnings per share	10			**62.5p**			73.7p
Adjusted basic earnings per share	10			**124.7p**			103.4p
Adjusted diluted earnings per share	10			**122.3p**			101.9p
Dividend per share in respect of the financial year:							
Dividend per share paid during the year	11			**12.0p**			10.8p
Dividend per share declared for the year	11			**31.2p**			25.2p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 £m	2015 £m
Profit for the financial year		**192.9**	357.1
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss			
Defined benefit pension scheme remeasurement (loss)/gain		**(57.8)**	7.8
Income tax relating to these items	7	**14.7**	(2.8)
		(43.1)	5.0
Items that may be subsequently reclassified to profit or loss			
Net investment hedges		**(73.9)**	27.6
Change in value of available for sale financial assets		**7.5**	3.7
Exchange gain/(loss) on translation of foreign operations		**491.6**	(62.6)
Income tax relating to these items	7	**(1.4)**	-
		423.8	(31.3)
Other comprehensive gain/(loss) net of tax		**380.7**	(26.3)
Total comprehensive income for the financial year		**573.6**	330.8
Attributable to non-controlling interests		**97.8**	16.8
Attributable to equity holders		**475.8**	314.0
Total comprehensive income for the financial year		**573.6**	330.8

CONSOLIDATED BALANCE SHEET

At 31 December 2016

	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Property, plant and equipment		**107.8**	93.9
Intangible assets	12	**4,123.5**	3,704.2
Investment in associates		**3.3**	0.3
Deferred tax assets	13	**68.0**	34.6
Derivative financial instruments	14	**-**	22.4
Available for sale investments	14	**27.9**	61.0
Retirement benefit asset		**1.8**	25.2
Other non-current assets	14	**88.2**	46.0
		4,420.5	3,987.6
Current assets			
Inventories		**3.3**	3.7
Trade and other receivables		**636.6**	331.3
Derivative financial instruments	14	**-**	25.5
CCP financial assets		**504,832.7**	428,244.3
CCP cash and cash equivalents (restricted)		**53,553.2**	28,444.2
CCP clearing business assets	14	**558,385.9**	456,688.5
Current tax		**124.1**	7.2
Assets held at fair value	14	**74.4**	9.9
Cash and cash equivalents		**1,150.7**	923.9
		560,375.0	457,990.0
Assets held for sale	8	**-**	1,273.6
Total assets		**564,795.5**	463,251.2
Liabilities			
Current liabilities			
Trade and other payables		**601.1**	452.4
CCP clearing business liabilities	14	**558,478.3**	456,663.3
Current tax		**61.5**	3.5
Borrowings	15	**618.7**	930.2
Provisions		**0.6**	1.5
		559,760.2	458,050.9
Liabilities directly associated with assets held for sale	8	**-**	539.0
Non-current liabilities			
Borrowings	15	**547.2**	678.7
Other non-current payables	14	**-**	43.5
Derivative financial instruments	14	**19.3**	-
Deferred income		**-**	2.2
Deferred tax liabilities	13	**704.7**	625.6
Retirement benefit obligations		**75.1**	40.6
Other non-current liabilities	14	**65.5**	65.3
Provisions		**9.8**	9.3
		1,421.6	1,465.2
Total liabilities		**561,181.8**	460,055.1
Net assets		**3,613.7**	3,196.1

Equity

Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	17	**24.2**	24.0
Share premium	17	**961.3**	960.0
Retained earnings		**259.2**	255.3
Other reserves		**1,861.2**	1,504.6
Total shareholders' funds		**3,105.9**	2,743.9
Non-controlling interests		**507.8**	452.2
Total equity		**3,613.7**	3,196.1

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2016

	Notes	2016 £m	2015 £m
Cash flow from operating activities			
Cash generated from operations	18	**598.3**	670.4
Interest received		**6.2**	1.8
Interest paid		**(67.0)**	(65.2)
Corporation tax paid		**(315.7)**	(172.3)
Withholding tax paid		**(0.8)**	(0.5)
Net cash inflow from operating activities		**221.0**	434.2
Cash flow from investing activities			
Purchase of property, plant and equipment		**(33.6)**	(30.1)
Purchase of intangible assets		**(112.2)**	(87.2)
Disposal proceeds from sale of property, plant and equipment and assets held for sale		**0.1**	5.8
Net proceeds from sale of a disposal group	9	**594.3**	21.8
Cash disposed as part of a disposal group	9	**(185.2)**	(0.3)
Costs in relation to sale of a disposal group	9	**(12.0)**	-
Investment in other acquisition		**-**	(1.5)
Investment in associates		**(7.8)**	-
Acquisition of businesses	20	**(1.0)**	(2.9)
Net cash inflow from acquisitions		**-**	0.2
Dividends received		**0.5**	8.2
Net cash inflow/(outflow) from investing activities		**243.1**	(86.0)
Cash flow from financing activities			
Dividends paid to shareholders	11	**(129.7)**	(115.5)
Dividends paid to non-controlling interests		**(15.4)**	(7.2)
Capital contributions in relation to non-controlling interests		**20.2**	12.7
Arrangement fee paid		**(1.2)**	-
Proceeds from exercise of employee share options		**0.3**	2.4
Proceeds from issue of shares		**1.2**	-
Payments to shareholders on exercise of options		**(3.0)**	-
Repayments of finance lease		**(3.0)**	(6.8)
Net repayments of borrowings		**(547.0)**	(143.5)
Net cash outflow from financing activities		**(677.6)**	(257.9)
(Decrease)/increase in cash and cash equivalents		**(213.5)**	90.3
Cash and cash equivalents at beginning of year		**1,176.4**	1,127.2
Exchange gain/(loss) on cash and cash equivalents		**187.8**	(41.1)
Cash and cash equivalents at end of year		**1,150.7**	1,176.4
Cash and cash equivalents at end of year from continuing operations	14	**1,150.7**	923.9
Cash and cash equivalents at end of year from discontinued operations		**-**	252.5
Cash and cash equivalents at end of year		**1,150.7**	1,176.4

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to equity holders						
	Ordinary share capital	**Share premium**	**Retained earnings/(losses)**	**Other reserves**	**Total attributable to equity holders**	**Non-controlling interests**	**Total equity**
	£m	£m	£m	£m	£m	£m	£m
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 (Note 17)	0.1	2.3	-	-	2.4	-	2.4
Interim dividend relating to the period ended 31 December 2014 (Note 11)	-	-	(33.6)	-	(33.6)	-	(33.6)
Final dividend relating to the period ended 31 December 2014 (Note 11)	-	-	(44.4)	-	(44.4)	-	(44.4)
Interim dividend relating to the year ended 31 December 2015 (Note 11)	-	-	(37.5)	-	(37.5)	-	(37.5)
Dividend payments to non-controlling interests	-	-	-	-	-	(7.2)	(7.2)
Employee share scheme expenses	-	-	10.8	-	10.8	-	10.8
Tax in relation to employee share scheme expenses	-	-	5.7	-	5.7	-	5.7
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**
Profit for the year	**-**	**-**	**151.9**	**-**	**151.9**	**41.0**	**192.9**
Other comprehensive (loss)/income for the year	**-**	**-**	**(31.9)**	**355.8**	**323.9**	**56.8**	**380.7**
Issue of shares (Note 17)	**0.2**	**1.3**	**-**	**-**	**1.5**	**-**	**1.5**
Final dividend relating to the year ended 31 December 2015 (Note 11)	**-**	**-**	**(87.7)**	**-**	**(87.7)**	**-**	**(87.7)**
Interim dividend relating to the year ended 31 December 2016 (Note 11)	**-**	**-**	**(42.0)**	**-**	**(42.0)**	**-**	**(42.0)**
Dividend payments to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(18.9)**	**(18.9)**
Net contributions in relation to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**14.5**	**14.5**
Employee share scheme expenses	**-**	**-**	**19.5**	**-**	**19.5**	**-**	**19.5**
Tax in relation to employee share scheme expenses	**-**	**-**	**4.0**	**-**	**4.0**	**0.4**	**4.4**
Purchase of non-controlling interest within acquired subsidiary	**-**	**-**	**(9.9)**	**-**	**(9.9)**	**-**	**(9.9)**
Disposal of business	**-**	**-**	**-**	**0.8**	**0.8**	**(38.2)**	**(37.4)**
31 December 2016	**24.2**	**961.3**	**259.2**	**1,861.2**	**3,105.9**	**507.8**	**3,613.7**

Shares held in the Employee Benefit Trust to settle exercises on employee share awards were 376,456 (2015: 462,378).

Other reserves comprise the following:

Merger reserve of £1,304.3 million (2015: £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 (2015: £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 (2015: £(512.5) million), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £489.9 million (2015: £184.3 million), a non-distributable reserve reflecting the impact of foreign currency changes on the translation of foreign operations.

Hedging reserve of £65.3 million (2015: £14.3 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The 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.

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.

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 20. 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; or
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.

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 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;
- Amendments to IFRS 11, 'Joint arrangements' on accounting for acquisitions of interest in joint operations;
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IAS 27, 'Separate financial statements' on equity method in separate financial statements;
- Proposed amendments to IAS 1, 'Presentation of financial statements' disclosure initiative; and
- Annual Improvements 2012-2014.

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, but have not been adopted either because they were not endorsed by the EU at 31 December 2016 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 above future standards, amendments and interpretations is still under review, and where appropriate, a description of the impact of certain standards and amendments is provided below:

International accounting standards and interpretations	Effective date
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
Amendment to IAS 7, 'Statement of cash flows' on changes in liabilities arising from financing activities	1 January 2017
Amendment to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses	1 January 2017
Amendment to IFRS 2, 'Share-based payment' on classification and measurement of share-based payment transactions	1 January 2018
Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	1 January 2018
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

IFRS 15 'Revenue from contracts' with customers introduces new accounting principles for revenue recognition for all types of sales of goods or services. It is effective from 1 January 2018 and as a result the Group will adopt IFRS 15 in both the interim and annual 2018 financial statements. IFRS 15 provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers, and replaces the separate models for goods, services and construction contracts currently included in IAS 11 'Construction Contracts' and IAS 18 'Revenue'.

Based on the provisional assessment, the key areas of judgement expected on initial adoption of IFRS 15 are in relation to: (i) the timing of revenue recognition for services provided; (ii) the measurement of variable consideration which changes against to factors outside of the Group's control; and (iii) how performance obligations are satisfied in contracts providing several services to customers. The Group will continue to assess the impact during 2017.

IFRS 9 'Financial instruments' is effective for the year ended 31 December 2018 and will simplify the classification of financial assets for measurement purposes. The implementation of IFRS 9 is not currently expected to have a significant impact on the financial statements; however, the Group will finalise its assessment of the new standard in 2017.

IFRS 16 'Leases' is effective for the year ended 31 December 2019 (not yet endorsed by the EU) and will require all leases to be recognised on the balance sheet. Currently, IAS 17 'Leases' only requires leases categorised as finance leases to be recognised on the balance sheet, with leases categorised as operating leases not recognised. In broad terms, the impact will be to recognise a lease liability and corresponding asset for the operating lease commitments.

2. Segmental Information

The Group is organised into operating units based on its service lines and has six reportable segments: Capital Markets, Post Trade Services – CC&G and Monte Titoli, Post Trade Services – LCH, Information Services, Technology Services and Other. These segments generate revenue in the following areas:

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

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.

Segmental disclosures for the year ended 31 December 2016 are as follows:

	Capital Markets	Post Trade Services - CC&G and Monte Titoli	Post Trade Services - LCH	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	**368.3**	**103.7**	**356.5**	**594.7**	**88.3**	**4.1**	**-**	**1,515.6**
Inter-segmental revenue	**-**	**0.6**	**-**	**-**	**15.9**	**-**	**(16.5)**	**-**
Revenue	**368.3**	**104.3**	**356.5**	**594.7**	**104.2**	**4.1**	**(16.5)**	**1,515.6**
Net treasury income through CCP business	**-**	**42.6**	**82.2**	**-**	**-**	**-**	**-**	**124.8**
Other income	**-**	**-**	**8.4**	**-**	**-**	**8.3**	**-**	**16.7**
Total income	**368.3**	**146.9**	**447.1**	**594.7**	**104.2**	**12.4**	**(16.5)**	**1,657.1**
Cost of sales	**(22.5)**	**(12.6)**	**(55.8)**	**(54.4)**	**(27.8)**	**(1.7)**	**-**	**(174.8)**
Gross profit	**345.8**	**134.3**	**391.3**	**540.3**	**76.4**	**10.7**	**(16.5)**	**1,482.3**
Share of loss after tax of associates	**-**	**-**	**-**	**-**	**-**	**(4.9)**	**-**	**(4.9)**
Operating profit/(loss) before amortisation of purchased intangible assets and non-recurring items	**176.8**	**52.4**	**123.5**	**335.8**	**12.8**	**(3.9)**	**(11.6)**	**685.8**
Amortisation of purchased intangible assets								**(156.6)**
Non-recurring items								**(102.4)**
Operating profit								**426.8**
Net finance expense								**(62.7)**
Profit before taxation from continuing operations								**364.1**

Other income statement items								
Depreciation, software amortisation and impairment	**(11.1)**	**(18.2)**	**(35.8)**	**(12.8)**	**(5.7)**	**(2.9)**	**1.5**	**(85.0)**

Revenue from external customers principally comprises fees for services rendered amounting to £1,423.2 million (2015: £1,239.6 million) and Technology Services amounting to £88.3 million (2015: £80.6 million).

Net treasury income through CCP business of £124.8 million (2015: £85.7 million) comprises gross interest income of £469.9 million (2015: £261.7 million) less gross interest expense of £345.1 million (2015: £176.0 million). Interest from investment in securities amounts to £8.8 million (2015: £4.1 million). Other income includes a £1.6 million fair value loss (2015: £2.2 million gain in gross interest income) relating to the revaluation of CCP clearing business assets.

Presented within revenue are net settlement expenses from the CCP business of £5.2 million (2015: £3.2 million expense) which comprise gross settlement income of £15.6 million (2015: £13.3 million) less gross settlement expense of £20.8 million (2015: £16.5 million).

Comparative 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**	**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, software amortisation and impairment	(10.5)	(6.7)	(28.5)	(11.6)	(5.4)	(0.2)	4.0	(58.9)

3. Expenses by nature

Expenses comprise the following:

	Notes	2016 £m	2015 £m
Employee costs	4	**428.8**	405.5
Depreciation, non-acquisition software amortisation and impairment		**85.0**	58.9
Amortisation of purchased intangible assets and non-recurring items	5	**259.0**	180.3
IT costs		**117.6**	107.4
Other costs		**160.2**	136.6
Total		**1,050.6**	888.7

4. Employee costs

Employee costs comprise the following:

	2016	2015
	£m	£m
Salaries and other short term benefits	**328.8**	322.4
Social security costs	**51.3**	42.5
Pension costs	**21.5**	18.1
Share-based compensation	**27.2**	22.5
Total	**428.8**	405.5

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

	2016	2015
UK	**1,352**	1,731
Italy	**568**	565
France	**172**	242
Sri Lanka	**946**	926
USA	**258**	1,296
Other	**452**	791
Total	**3,748**	5,551

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

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

	Note	2016 £m	2015 £m
Amortisation of purchased intangible assets	12	**156.6**	149.6
Transaction costs		**85.4**	1.0
Transaction credit		**-**	(1.1)
Restructuring costs		**13.8**	9.9
Integration costs		**3.2**	21.4
Profit on disposal of assets held for sale		**-**	(0.5)
Total affecting operating profit		**259.0**	180.3
Tax effect on items affecting profit before tax			
Deferred tax on amortisation of purchased intangible assets		**(41.3)**	(56.2)
Current tax on amortisation of purchased intangible assets		**(1.3)**	(1.8)
Tax effect on other items affecting profit before tax		**3.8**	(18.0)
Total tax effect on items affecting profit before tax		**(38.8)**	(76.0)
Total charge to income statement		**220.2**	104.3

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

Restructuring and integration costs principally relate to the restructuring of LCH Group and the restructuring and integration of Frank Russell Company.

The transaction credit in the prior 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 was derecognised.

The £0.5 million profit on disposal of assets held for sale in the prior year relates to the sale of a freehold property and related equipment held by a subsidiary. The carrying value of the assets at the date of disposal was £5.3 million.

6. Net finance expense

	2016	2015
	£m	£m
Finance income		
Expected return on defined benefit pension scheme assets	**1.0**	0.6
Bank deposit and other interest income	**1.0**	0.9
Other finance income	**5.1**	1.4
	7.1	2.9
Finance expense		
Interest payable on bank and other borrowings	**(64.7)**	(66.0)
Defined benefit pension scheme interest cost	**(1.6)**	(1.2)
Other finance expenses	**(3.5)**	(4.0)
	(69.8)	(71.2)
Net finance expense	**(62.7)**	(68.3)

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

7. Taxation

The standard UK corporation tax rate was 20% (20.25% for the year ended 31 December 2015).

		2016	2015
Taxation charged to the income statement	Note	£m	£m
Current tax:			
UK corporation tax for the year		**46.3**	49.8
Overseas tax for the year		**88.6**	51.6
Adjustments in respect of previous years		**(2.7)**	(4.2)
		132.2	97.2
Deferred tax:	13		
Deferred tax for the year		**6.5**	(0.2)
Adjustments in respect of previous years		**4.2**	2.0
Deferred tax liability on amortisation of purchased intangible assets		**(41.3)**	(50.9)
Taxation charge		**101.6**	48.1

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

	2016	2015
Taxation on items not credited/(charged) to income statement	£m	£m
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	**10.6**	5.8
Deferred tax credit/(charge):		
Tax on defined benefit pension scheme remeasurement	**14.7**	(2.8)
Tax allowance on share options/awards in excess of expense recognised	**(6.2)**	(0.1)
Tax on movement in value of available for sale financial assets	**(1.4)**	-
	17.7	2.9

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 of 20% (2015: 20.25%) as explained below:

	2016	2015

	£m	£m
Profit before taxation from continuing operations	**364.1**	336.1
Profit before taxation from discontinued operations	**104.2**	97.6
	468.3	433.7
Profit multiplied by standard rate of corporation tax in the UK	**93.7**	87.8
Expenses not deductible	**17.9**	3.5
Adjustment arising from change in tax rate	**2.6**	(4.6)
Overseas earnings taxed at higher rate	**166.8**	16.6
Adjustments in respect of previous years	**1.5**	(2.2)
Amortisation of purchased intangible assets	**-**	(0.2)
Adjustment arising from changes in tax rates on amortisation of intangible assets	**(6.0)**	(17.0)
Deferred tax previously not recognised	**(1.1)**	(7.3)
Income tax from continuing operations	**101.6**	48.1
Income tax attributable to discontinued operations	**173.8**	28.5

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 the UK Finance Bill 2016 was enacted in September 2016 reducing the standard rate of corporation tax further to 17% effective from 1 April 2020. Accordingly, the UK deferred tax balances at December 2016 have been stated at 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.

Judgements and estimates

An amount of £4.5 million has been provided for uncertain tax positions. This reflects ongoing discussions with the tax authorities regarding the tax effect of certain changes in accounting policy for intangible assets and uncertainty arising from the introduction of UK Diverted Profits Tax.

8. Discontinued operations and assets and liabilities held for sale

On 8 October 2015, the Group announced that it had agreed the sale of the Russell Investment Management business to TA Associates. As a result, the Russell Investment Management business was classified as a disposal group held for sale and as a discontinued operation.

On 31 May 2016, the Group completed the sale of the Russell Investment Management business to TA Associates and Reverence Capital Partners in exchange for US$1,150 million (£794.4 million) total consideration. Further details are provided in Note 9.

The results of the Russell Investment Management business for the five month period to 31 May 2016 and the prior year comparatives are included as discontinued operations in the Group's consolidated income statement. The Investment Management segment was not presented within the income statement analysis in the Segmental Information note (Note 2) in the current year or in the prior year.

In October 2015, the Group completed the disposal of Proquote Ltd 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 the Proquote Ltd business were included as discontinued operations for the period of Group's ownership in the prior year.

The results of discontinued operations are presented below:

	Note	**2016** £m	**2015** £m
Revenue		**389.5**	960.7
Other income		**1.3**	2.2
Total income		**390.8**	962.9
Cost of sales		**(200.3)**	(494.9)
Gross profit		**190.5**	468.0
Share of profit after tax of associate		**-**	0.5
Expenses			
Expenses before amortisation of purchased intangible assets and non-recurring items		**(162.7)**	(343.6)
Amortisation of purchased intangible assets		**-**	(7.1)
Non-recurring items		**75.4**	(22.3)
Operating profit		**103.2**	95.5
Net finance income		**1.0**	2.1
Profit before tax from discontinued operations		**104.2**	97.6
Taxation on profit before amortisation of purchased intangible assets and non-recurring items		**(10.2)**	(36.2)
Taxation on amortisation of purchased intangible assets and non-recurring items		**(163.6)**	7.7
Taxation	7	**(173.8)**	(28.5)
(Loss)/profit after tax from discontinued operations		**(69.6)**	69.1
Attributable to:			
Equity holders		**(70.7)**	68.7
Non-controlling interests		**1.1**	0.4
		(69.6)	69.1

Discontinued revenue for the year ended 31 December 2016 relates to Russell Investment Management of £389.5 million (2015: £953.1 million) and Proquote of nil (2015: £7.6 million).

The non-recurring item in the current year of £75.4 million relates to the profit on disposal of the Russell Investment Management business. Further details are provided in Note 9.

During the year, the Group recognised £12.0 million (2015: £28.4 million) of costs in relation to the disposal of the Russell Investment Management business.

As the Russell Investment Management business was sold prior to 31 December 2016, the assets and liabilities held for sale as at 31 December 2015 are no longer included on the Group's balance sheet.

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

	2016	**2015**

	£m	£m
Cash inflow from operating activities	**59.1**	51.5
Cash (outflow)/inflow from investing activities	**(8.3)**	2.9
Cash inflow/(outflow) from financing activities	**20.0**	(5.8)
Net cash inflow	**70.8**	48.6

9. Disposal of business

On 31 May 2016, the Group sold the entire issued share capital it owned in the Russell Investment Management business, a subsidiary of the Group, to TA Associates and Reverence Capital Partners (the "Acquirers") in exchange for US$1,150 million (£794.4 million) total consideration, before working capital and other adjustments, and foreign exchange movements aggregating to US$139.5 million (£96.5 million) as of 31 May 2016. Of the total consideration, US$150 million (£103.6 million) is deferred and will be paid annually in four equal cash instalments starting from 31 December 2017. After the adjustments to the consideration and the deferred consideration, the sale resulted in net cash proceeds of US$860.5 million (£594.3 million).

The deferred consideration has been discounted, resulting in a balance of US$130.8 million (£90.3 million).

Net proceeds will be confirmed following the finalisation of discussions between the Group and the Acquirers on the completion statement, including the finalisation of the working capital and other adjustments. The disposal accounting will be finalised on completion of the relevant tax returns. On the date of disposal, the net assets of the Russell Investment Management business, the consideration and the profit on disposal were as follows:

Assets	£m
Property, plant and equipment	**33.4**
Intangible assets	**704.8**
Investment in associates	**5.4**
Trade and other receivables	**189.3**
Cash and cash equivalents	**185.2**
Other assets	**44.4**
	1,162.5
Liabilities	
Borrowings	**3.7**
Trade and other payables	**225.7**
Current tax	**2.9**
Deferred tax liabilities	**218.7**
Provisions	**1.0**
Other liabilities	**38.6**
	490.6
Total carrying value of net assets disposed	**671.9**
Attributable to non-controlling interests	**(38.2)**
Group's share of net assets disposed	**633.7**
Amounts accumulated in Other Comprehensive Income:	
Foreign exchange translation reserves reclassified to profit or loss	**(36.5)**
Reserve of disposal group	**(36.5)**
Group's share of net assets and reserves disposed	**597.2**
Consideration	
Cash consideration (after adjustments to consideration)	**594.3**
Deferred consideration (discounted)	**90.3**
Total consideration	**684.6**
Profit on disposal before disposal costs and tax	**87.4**
Cost of disposal	**(12.0)**
Profit on disposal before tax	**75.4**
Taxation:	
Deferred tax arising on the disposal of subsidiary	**(29.6)**
Current tax arising on the disposal of subsidiary	**(134.0)**

Total tax on disposal	**(163.6)**
Loss on disposal after tax	**(88.2)**

Net cash inflow arising on disposal:	
Initial consideration	**690.8**
Adjustments to consideration	**(96.5)**
Net cash inflow	**594.3**

The profit on disposal is included as a non-recurring item within discontinued operations and is disclosed in Note 8.

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.

	2016			2015		
	Continuing	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Basic earnings per share	**63.8p**	**(20.3p)**	**43.5p**	74.8p	19.8p	94.6p
Diluted earnings per share	**62.5p**	**(19.9p)**	**42.6p**	73.7p	19.5p	93.2p
Adjusted basic earnings per share	**124.7p**	**5.0p**	**129.7p**	103.4p	26.0p	129.4p
Adjusted diluted earnings per share	**122.3p**	**4.9p**	**127.2p**	101.9p	25.7p	127.6p

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

	2016			2015		
	Continuing £m	**Discontinued** £m	**Total** £m	**Continuing** £m	**Discontinued** £m	**Total** £m
Profit for the financial year attributable to the Company's equity holders	**222.6**	**(70.7)**	**151.9**	259.6	68.7	328.3
Adjustments:						
Amortisation of purchased intangibles and non recurring items:						
Amortisation of purchased intangible assets	**156.6**	**-**	**156.6**	149.6	7.1	156.7
Transaction costs	**85.4**	**-**	**85.4**	1.0	-	1.0
Transaction credit	**-**	**-**	**-**	(1.1)	-	(1.1)
Restructuring costs	**13.8**	**-**	**13.8**	9.9	42.2	52.1
Integration costs	**3.2**	**-**	**3.2**	21.4	-	21.4
Profit on disposal of assets and liabilities held for sale	**-**	**(75.4)**	**(75.4)**	(0.5)	(19.9)	(20.4)
Other adjusting items:						
Tax effect of amortisation of purchased intangible assets and non-recurring items	**(38.8)**	**163.6**	**124.8**	(76.0)	(7.7)	(83.7)
Amortisation of purchased intangible assets, non-recurring items and taxation attributable to non-controlling interests	**(7.7)**	**-**	**(7.7)**	(5.2)	-	(5.2)
Adjusted profit for the financial year attributable to the Company's equity holders	**435.1**	**17.5**	**452.6**	358.7	90.4	449.1
Weighted average number of shares - million			**348.9**			347.0
Effect of dilutive share options and awards - million			**7.0**			5.1
Diluted weighted average number of shares - million			**355.9**			352.1

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

11. Dividends

	2016	2015
	£m	£m
Interim dividend for 31 December 2014 paid 5 January 2015: 9.7p per Ordinary share	-	33.6
Final dividend for 31 December 2014 paid 2 June 2015: 12.8p per Ordinary share	-	44.4
Interim dividend for 31 December 2015 paid 22 September 2015: 10.8p per Ordinary share	-	37.5
Final dividend for 31 December 2015 paid 1 June 2016: 25.2p per Ordinary share	**87.7**	-
Interim dividend for 31 December 2016 paid 20 September 2016: 12.0p per Ordinary share	**42.0**	-
	129.7	115.5

The Board has proposed a final dividend in respect of the year ended 31 December 2016 of 31.2p per share, which is estimated to amount to £109.3 million, to be paid in May 2017. In addition, a separate special dividend of 58.2p per share, which is estimated to amount to £203.9 million, is payable to LSEG shareholders contingent on completion of the Merger. These are not reflected in the financial statements.

12. Intangible assets

		Purchased intangible assets				
	Goodwill	Customer and supplier relationships	Brands	Software, licenses and intellectual property	Software	Total
	£m	£m	£m	£m	£m	£m
1 January 2015	1,998.5	1,932.9	932.3	441.3	273.2	5,578.2
Additions	3.9	-	-	-	96.5	100.4
Disposals	-	-	-	(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
Additions	**1.0**	**-**	**-**	**-**	**112.7**	**113.7**
Disposals	**-**	**-**	**-**	**-**	**(7.9)**	**(7.9)**
Foreign exchange	**273.1**	**214.9**	**118.6**	**12.6**	**55.7**	**674.9**
31 December 2016	**2,096.8**	**1,731.4**	**970.8**	**434.3**	**502.2**	**5,735.5**
Accumulated amortisation and impairment:						
1 January 2015	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
Impairment	**-**	**-**	**-**	**-**	**8.2**	**8.2**
Amortisation charge for the year	**-**	**84.2**	**41.1**	**31.3**	**55.2**	**211.8**
Disposals	**-**	**-**	**-**	**-**	**(6.5)**	**(6.5)**
Foreign exchange	**51.2**	**48.7**	**9.6**	**7.2**	**31.2**	**147.9**
31 December 2016	**499.8**	**481.5**	**122.1**	**277.1**	**231.5**	**1,612.0**
Net book values:						
31 December 2016	**1,597.0**	**1,249.9**	**848.7**	**157.2**	**270.7**	**4,123.5**
31 December 2015	1,374.1	1,167.9	780.8	183.1	198.3	3,704.2

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 16 years for the Italian Group; 1 and 21 years for the LCH Group and the FTSE Group; and 1 and 23 years for the Frank Russell Group.

During the year, Group acquired an initial 50% equity shareholding in SwapMatch Limited (SwapMatch) for a cash consideration of £1.0 million. The Group recognised £1.0 million in goodwill. Further details are provided in Note 20.

The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH Group, FTSE Group, MillenniumIT, the Frank Russell Group, Turquoise and Exactpro.

Following a review of software assets across the Group, an impairment charge of £8.2 million was recognised in the year (2015: £1.0 million).

During the year, additions relating to internally generated software amounted to £112.7 million (2015: £96.5 million).

The carrying value of licenses held under finance leases at 31 December 2016 was £0.2 million (2015: £0.8 million).

13. 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 December 2014	5.6	(847.6)	57.2	(784.8)
Transfer between categories	-	(3.1)	3.1	-
Tax credited 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)
Reclassification from assets held for sale	**-**	**-**	**9.8**	**9.8**
Transfer to current tax	**-**	**-**	**5.6**	**5.6**
Tax credited/(charged) to the income statement	**-**	**41.3**	**(10.7)**	**30.6**
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme remeasurement loss	**-**	**-**	**14.7**	**14.7**
– movement in value of available for sale financial assets	**-**	**-**	**(1.4)**	**(1.4)**
– foreign exchange	**-**	**(98.8)**	**-**	**(98.8)**
Allowance on share options/awards - to equity	**-**	**-**	**(6.2)**	**(6.2)**
31 December 2016	**8.4**	**(671.4)**	**26.3**	**(636.7)**
Assets at 31 December 2016	**8.4**	**-**	**59.6**	**68.0**
Liabilities at 31 December 2016	**-**	**(671.4)**	**(33.3)**	**(704.7)**
Net assets/(liabilities) at 31 December 2016	**8.4**	**(671.4)**	**26.3**	**(636.7)**
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)

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

The deferred tax asset of £26.3 million (2015: £14.5 million) in respect of provisions and other temporary differences mainly relates to share based payments of £7.2 million (2015: £7.5 million), retirement benefits liability of £9.6 million (2015: £3.1 million), trading losses of £24.3 million (2015: £6.1 million) and other provisions and temporary differences of £14.8 million (2015: £4.0 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 purchased intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £21.1 million (2015: £20.5 million) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

14. Financial assets and financial liabilities

Financial instruments by category

The financial instruments of the Group are categorised as follows:

31 December 2016	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
Assets as per balance sheet					
Financial assets of the CCP clearing business:					
– CCP trading assets	-	-	-	320,528.9	**320,528.9**
– Receivables for repurchase transactions	149,831.8	-	-	-	**149,831.8**
– Other receivables from clearing members	9,077.2	-	-	-	**9,077.2**
– Financial assets	-	-	15,975.2	9,419.3	**25,394.5**
– Cash and cash equivalents of clearing members	53,553.2	-	-	-	**53,553.2**
Financial assets of the CCP clearing business	212,462.2	-	15,975.2	329,948.2	**558,385.6**
Assets held at fair value	-	-	-	0.3	**0.3**
Total financial assets for CCP clearing business	212,462.2	-	15,975.2	329,948.5	**558,385.9**
Other non-current assets	88.2	-	-	-	**88.2**
Trade and other receivables	636.6	-	-	-	**636.6**
Cash and cash equivalents	1,150.7	-	-	-	**1,150.7**
Assets held at fair value	-	-	74.4	-	**74.4**
Available for sale financial assets	-	-	27.9	-	**27.9**
Total	214,337.7	-	16,077.5	329,948.5	**560,363.7**

There were no transfers between categories during the year.

During the year ended 31 December 2016, the Group reclassified a £1.5 million loss (2015: £0.3 million gain) from other comprehensive income to the income statement on disposal of available for sale financial assets.

31 December 2016	Financial liabilities at amortised cost £m	Financial liabilities at fair value through profit and loss £m	Total £m
Liabilities as per balance sheet			
Financial liabilities of the CCP clearing business:			
– CCP trading liabilities	-	320,528.9	**320,528.9**
– Liabilities under repurchase transactions	149,831.8	-	**149,831.8**
– Other payables to clearing members	88,117.6	-	**88,117.6**
– Financial liabilities held at fair value	-	-	**-**
Total financial liabilities of the CCP clearing business	237,949.4	320,528.9	**558,478.3**
Trade and other payables	601.1	-	**601.1**
Borrowings	1,165.9	-	**1,165.9**
Provisions	10.4	-	**10.4**
Other non-current liabilities	17.0	48.5	**65.5**

Net investment hedges:			
- Cross currency interest rate swaps	-	19.3	**19.3**
Total	239,743.8	320,596.7	**560,340.5**

There were no transfers between categories during the year.

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

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
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**
Cash and cash equivalents	923.9	-	-	-	**923.9**
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**
Total	164,467.9	102.4	10,107.8	283,430.4	**458,108.5**

There were no transfers between categories during the prior year.

31 December 2015	Financial liabilities at amortised cost £m	Financial liabilities at fair value through profit and loss £m	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
Borrowings	1,608.9	-	1,608.9
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

There were no transfers between categories during the prior year.

15. Borrowings

	2016	2015
	£m	£m
Current		
Bank borrowings and trade finance loans	**465.4**	680.0
Preferred securities	**153.3**	-
Bonds	**-**	250.2
	618.7	930.2
Non-current		
Bonds	**547.2**	546.5
Preferred securities	**-**	132.2
	547.2	678.7

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

Type	Expiry Date	Notes/Facility £m	Carrying value at 31 December 2016 £m	Interest rate percentage at 31 December 2016 %
Drawn value of Facilities				
Multi-currency revolving credit facility	Jun 2017	600.0	**(0.6)**	LIBOR + 0.6
Multi-currency revolving credit facility	Nov 2021	600.0	**466.0**	LIBOR + 0.45
Total Bank Facilities		1,200.0	**465.4**	
Bonds due October 2019	Oct 2019	250.0	**249.0**	9.125
Bonds due November 2021	Nov 2021	300.0	**298.2**	4.75
LCH.Clearnet Preferred Securities	May 2017	170.5	**153.3**	6.576
Total Bonds and Preferred Securities		720.5	**700.5**	
Total Committed Facilities		1,920.5	**1,165.9**	

The carrying value of bank drawn facilities and bonds at 31 December 2015 was £680.0 million and £928.9 million, respectively.

Current borrowings

The Group's total committed bank facilities of £1,200 million (split into two facilities of £600 million) remained in place during the financial year. One facility will expire in June 2017 and the other was extended for another year to November 2021. These facilities were partially utilised at 31 December 2016 with £465.4 million (2015: £680.0 million) drawn which includes £2.0 million of deferred arrangement fees (2015: £1.7 million).

In July 2016, the Company repaid the £250 million unsecured bond at maturity using the Group's committed facilities. Interest on these bonds was 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 was dependent on movements in the Company's credit rating with Moody's which remained at Baa1 during the financial year. The bond coupon rate remained at 5.875% per annum until maturity.

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 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.

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 2016 was nil (2015: nil).

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 2016 (2015: €420 million), for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

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

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, both maintaining their respective Baa1 and BBB+ ratings. The bond coupon remained at 9.125% per annum throughout the financial year.

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.

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:

	2016			**2015**		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**713.4**	**(255.8)**	**457.6**	885.1	(368.5)	516.6
Euro	**352.0**	**255.8**	**607.8**	132.2	368.5	500.7
US dollar	**100.5**	**-**	**100.5**	591.6	-	591.6
Total	**1,165.9**	**-**	**1,165.9**	1,608.9	-	1,608.9

16. Analysis of net debt

	2016	2015
	£m	£m
Due within one year		
Cash and cash equivalents	**1,150.7**	923.9
Bank borrowings	**(465.4)**	(680.0)
Bonds	**-**	(250.2)
Preferred securities	**(153.3)**	-
Derivative financial assets	**-**	25.5
	532.0	19.2
Due after one year		
Bonds	**(547.2)**	(546.5)
Preferred securities	**-**	(132.2)
Derivative financial assets	**-**	22.4
Derivative financial liabilities	**(19.3)**	-
Total net debt	**(34.5)**	(637.1)

Reconciliation of net cash flow to movement in net debt

	2016	2015
	£m	£m
(Decrease)/increase in cash in the year	**(213.5)**	90.2
Bond repayment	**250.0**	-
Bank loan repayments less new drawings	**297.0**	143.5
Change in net debt resulting from cash flows	**333.5**	233.7
Foreign exchange movements	**151.7**	(67.0)
Movement on derivative financial assets and liabilities	**(67.2)**	24.8
Bond valuation adjustment	**(0.9)**	-
Movement in deferred arrangement fees	**0.3**	-
Reclassification to assets held for sale	**-**	(252.5)
Cash disposed of as part of discontinued operations	**185.2**	-
Net debt at the start of the year	**(637.1)**	(576.1)
Net debt at the end of the year	**(34.5)**	(637.1)

17. Share capital and share premium

Ordinary shares issued and fully paid

	Number of shares	Ordinary shares[1]	Share premium	Total
	millions	£m	£m	£m
At 1 January 2015	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
Issue of shares to the Employee Benefit Trust	**2.0**	**0.2**	**1.3**	**1.5**
At 31 December 2016	**350.3**	**24.2**	**961.3**	**985.5**

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

The Board approved the allotment and issue of 180,308 ordinary shares of par value 6$^{79/86}$ pence at 755.34 pence (2015: 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 £1.3 million (2015: £2.3 million).

In addition, the Group issued 1,750,000 ordinary shares (2015: 1,000,000 ordinary shares) at par value 6$^{79/86}$ pence to the Employee Benefit Trust in relation to the Group's employee share option schemes.

18. Net cash flow generated from operations

	Notes	2016 £m	2015[1] £m
Profit before taxation		**468.3**	433.7
Depreciation and amortisation		**233.4**	217.4
Disposal of work in progress		**1.1**	-
Profit on disposal of investment in a subsidiary	9	**(75.3)**	(19.9)
Net finance expense	6, 8	**61.7**	66.2
Share of loss from associates		**4.9**	-
Decrease in inventories		**0.9**	2.7
(Increase)/decrease in trade and other receivables		**(214.6)**	104.2
(Decrease)/increase in trade and other payables		**(75.8)**	(19.2)
Gain on available for sale investments		**(1.1)**	-
Impairment of software	12	**8.2**	1.0
Research and development tax credit		**(0.6)**	-
Increase in CCP financial assets		**(30,384.9)**	(31,702.3)
Decrease in CCP clearing business liabilities		**30,506.4**	31,649.4
(Increase)/decrease in assets held at fair value		**(2.8)**	2.7
Defined benefit pension obligation - contributions in excess of expenses charged		**(4.2)**	(2.8)
Net provisions movement during the year		**6.3**	(4.6)
Share scheme expense		**37.4**	32.1
Unrealised loss on revaluation on financial assets		**1.6**	-
Foreign exchange loss/(gains) on operating activities		**56.4**	(4.6)
Purchase of investment funds		**(19.2)**	(21.1)
Investments in available for sale financial assets		**(9.8)**	(63.7)
Gain on disposal of property, plant and equipment and assets held for sale		**-**	(0.8)
Cash generated from operations		**598.3**	670.4
Comprising:			
Ongoing operating activities		**782.0**	740.0
Non-recurring items		**(183.7)**	(69.6)
		598.3	670.4

[1] Investments in available for sale financial assets have been reclassified from cash flow from financing activities to net cash flow generated from operations.

19. Commitments and contingencies

Connected with the disposal of Russell Investment Management on 31 May 2016, the Group entered into an indemnity arrangement with the acquirer relating to certain ongoing litigation between the disposed business and third parties. The provisions of the indemnity limit the Group's exposure to 50 per cent of any liability arising from this litigation up to a maximum of US$25 million. No provision has been made in the financial statements of the Group relating to these matters, at this time, on the basis that it is not currently considered to be probable that any amount will be paid under the arrangement.

The Group had commitments of £54.0 million for professional fees relating to the proposed merger with Deutsche Börse. The amounts are payable on the successful completion of the merger.

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £0.3 million (2015: £0.9 million) and £20.7 million (2015: £27.4 million), respectively.

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

20. Business combinations

Acquisitions in the year to 31 December 2016

The Group made one acquisition in the year ended 31 December 2016.

Turquoise SwapMatch Limited

On 11 July 2016, the Group acquired a 50% equity shareholding in SwapMatch Limited (SwapMatch) for a cash consideration of £1.0 million. Immediately following the acquisition, the Group made a £0.5 million cash investment in exchange for an additional 10% equity in SwapMatch. The investment was made to assist the business' capital requirement and technology development. The non-controlling interest did not participate in the share purchase, and as a result the Group's equity interest in SwapMatch increased to 60%. The non-controlling interest has an option to sell the remaining 40% interest to the Group after a year, subject to mutual acceptance conditions, and as a result, a financial liability has been recorded in the Group balance sheet representing the fair value of the initial exercise price and associated earn out payments attached to the option.

The main activity of SwapMatch is to provide a neutral platform allowing prime brokers to match and net off synthetic equity positions with other brokers. The provisional fair value of net assets acquired was nil and the Group recognised £1.0 million in goodwill; these fair values will be finalised within 12 months of the acquisition date. The goodwill represents the growth of future expected income streams from SwapMatch's customer base. The goodwill is not expected to be deductible for tax purposes.

If the acquisition had occurred on 1 January 2016, the estimated Group revenue for the year from continuing operations would have been £1,516.1 million, with operating profit (before amortisation of purchased intangible assets and non-recurring items) of £685.9 million. These amounts have been calculated using the Group's accounting policies and based on available information.

Acquisitions in the year to 31 December 2015

The Group made two 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 fair value of net assets acquired was £1.4 million and the Group recognised £2.9 million in goodwill.

The valuation on the acquisition of Exactpro was finalised during the current year and resulted in no change to the fair values attributed on acquisition.

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 £0.3 million was paid 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 goodwill of £1.0 million and the fair value of net assets acquired was nil.

The valuation on the acquisition of XTF was finalised during the current year and resulted in no change to the fair values attributed on acquisition.

21. Events after the reporting period

Business combinations

On 3 January 2017, the Group acquired entire share capital in Mergent Inc. (Mergent), a leading global provider of business and financial information on public and private companies for cash consideration of US$144 million (£116.7 million). The acquisition will support the growth of FTSE Russell's core index offering, supplying underlying data and analytics for the creation of a wide range of indices.

At the date of issue of these financial statements, the initial accounting for the Mergent business combination has not been completed and as such certain disclosures in respect of the acquisition cannot be made, including: the fair value and major classes of identifiable assets acquired and liabilities assumed; the goodwill arising on the business combination; the qualitative factors contributing to the recognition of goodwill; and the amount of goodwill expected to be deductible for tax purposes.

The acquisition accounting for Mergent will be finalised within twelve months of the acquisition date.

Disposal of businesses

On 3 January 2017, the Group announced it had agreed the sale of the LCH SA business to Euronext N.V for an irrevocable cash offer of €510 million (£434.9 million). The proposed sale is subject to the review and approval by the European Commission in connection with the proposed merger of London Stock Exchange Group plc and Deutsche Börse AG, which was announced on 16 March 2016, and the receipt of various regulatory and other consents and approvals, including completion of the Works Council consultation process. It is also conditional on the successful closing of the Merger.

The LCH SA business forms part of the LCH Group CGU and the Group has determined that there is no impairment of the carrying value of the goodwill in the LCH Group CGU.

On 28 February 2017, the Group completed the sale of Information Services Professional Solutions (ISPS) a business line of BIt Market Services S.p.A. for a cash consideration of €10.5 million (£9.0 million). The net assets disposed contained brands, intellectual property and capitalised research and development investments, used for carrying out the ISPS' business along with identified agreements with suppliers and clients and employment relationships.

The ISPS business form part of the Information Services segment and is contained within the Italian Group Information Services CGU.

For the purposes of DTR 6.4.2R, the Home State of London Stock Exchange Group Plc is the United Kingdom.