

20 May 2009

LONDON STOCK EXCHANGE GROUP PLC

ANNOUNCEMENT OF PRELIMINARY RESULTS OF LONDON STOCK EXCHANGE GROUP PLC FOR THE YEAR ENDED 31 MARCH 2009

London Stock Exchange Group plc (the "Group") today reports results for the financial year ended 31 March 2009. In summary, the Group has delivered a good underlying performance against the backdrop of difficult markets, reflecting the overall resilience and diversification of the business.

Financial Headlines:

- Revenue up 23 per cent to £671.4 million; a one per cent increase on a pro forma basis (six per cent down at constant currency) assuming the merger with Borsa Italiana had taken place on 1 April 2007
- Adjusted operating profit (before goodwill impairment, amortisation of purchased intangibles and exceptional items) up 17 per cent to £338.6 million; down one per cent pro forma (down seven per cent at constant currency)
- Adjusted basic earnings per share up two per cent to 74.2 pence
- Total dividend for the year up two per cent to 24.4 pence per share and an additional £51.5 million returned to shareholders through share buybacks in H1
- Including non-cash goodwill impairment (of £484.0 million), amortisation of purchased intangibles and exceptional items, loss before tax was £250.8 million (2008: profit before tax £227.0 million) and basic loss per share was 126.1 pence (2008: basic EPS 70.8 pence)
- Strong net cash flow from operations after exceptional items of £352.6 million – up from £292.9 million last year; and free cash flow of £100.2 million (2008: £102.1 million)
- £905 million committed borrowing facilities, of which £700 million extends through to 2012 or beyond compared to £625 million drawn debt; interest cover at 10.1 times (2008: 9.8 times) remains strong

Operational Highlights:

- The Group underlined its vital role for companies with a record £106 billion raised by companies on our markets, including £99 billion in secondary issues
- There was a total 160 new issues, and the Group remained the leading international listing venue with 21 international IPOs; AIM Italia was successfully launched and since year-end has hosted its first two IPOs

- Merger integration programme with close to full run rate is well ahead of plan, with 60 per cent increase in cost synergies to £32 million to be achieved in the March 2010 financial year; Italian cash equities market successfully migrated to TradElect
- SETS volumes continued to grow, increasing 15 per cent to 740,000 trades per day. SETS average daily value traded declined 24 per cent, in line with an average 22 per cent fall in the FTSE 100; trading at Borsa Italiana was 12 per cent lower at 256,000 trades per day
- Resilient overall performance in the Derivatives and Fixed Income businesses in challenging market conditions
- Demand for the Group's real time data remained generally robust despite the market downturn, with 104,000 professional users of LSE information at year-end, down 8,000 over last year; and in Italy professional terminals stood at 151,000, down 9,000
- Strong performance from post trade services as CC&G performs its crucial function as central counterparty throughout the financial crisis

Commenting on the results, Chris Gibson-Smith, Chairman of London Stock Exchange Group, said:

“While the Group's markets have been affected by the crisis in global financial markets, we have produced good underlying results, underpinned by robust cash flows, as the benefits of a more diversified business emerge following our successful merger with Borsa Italiana.

“The goodwill impairment arising from the all share merger is a technical accounting adjustment reflecting the major deterioration in current economic conditions. It belies the high quality of, and potential arising from the combination. Indeed, the assessed value of Borsa Italiana remains comfortably above the £1.3 billion value at the time of completion of the merger given the strengthening of the euro.

“Although market conditions are expected to remain testing, the Board believes the Group is well placed for the future. We remain at the heart of global equity capital markets at a time when such markets are fundamental to the recovery of the real economy.”

Clara Furse, Chief Executive, said:

“We have performed well, with revenue up 23 per cent, reflecting the overall resilience and diversification of our business, and full year effect of our merger with Borsa Italiana. Each of our divisions responded well in increasingly difficult markets, with Information Services and our CC&G clearing operations delivering particularly strong growth, and the Exchange playing an essential role in economic recovery during a year of record equity fund raising on its markets.

“We have also made very good progress in achieving synergies from the merger and will now deliver a further increase in cost synergies to £32 million, up by 60 per cent from the original plan.”

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SUMMARY FINANCIAL RESULTS

Unless otherwise stated, all figures refer to the year ended 31 March 2009. Comparative information for the prior year reflects the inclusion of Borsa Italiana S.p.A. from its merger on 1 October 2007. In addition, to assist investors in understanding the performance of the enlarged Group, pro forma figures are presented for the prior comparative year as if the merger with Borsa Italiana had taken place on 1 April 2007, with growth on pro forma prior year also shown using the same average exchange rate as for the year ended 31 March 2009. Details relating to the pro forma calculations are set out later in this statement.

	Year ended 31 March			2008		Change %
	2009 £m	2008 £m	Change %	Pro forma	Change %	
Revenue		Statutory		Pro forma		
Issuer	90.4	82.4	10%	97.1	(7%)	(12%)
Trading	275.3	264.7	4%	310.0	(11%)	(16%)
Information	182.9	143.6	27%	161.9	13%	8%
Post Trade	104.0	42.8	143%	82.0	27%	7%
Other income	18.8	12.9	46%	15.8	19%	8%
Total revenue	671.4	546.4	23%	666.8	1%	(6%)
Operating costs	(332.8)	(257.4)	29%	(323.8)	3%	(5%)
Goodwill impairment	(484.0)	-		-		
Exceptional items and amortisation of purchased intangibles	(64.6)	(23.8)	171%	(43.6)	48%	(26%)
Operating loss / profit	(210.0)	265.2	(179%)	299.4	(170%)	(167%)
Adjusted operating profit*	338.6	289.0	17%	343.0	(1%)	(7%)
Profit from jv/associates	4.1	2.2		2.2		
Net Finance expense**	(44.9)	(40.4)	11%	(41.2)	9%	13%
Profit / loss before tax	(250.8)	227.0	(210%)	260.4	(196%)	(192%)
Adjusted profit before tax*	304.7	258.5	18%	304.0	2%	(8%)
Basic earnings per share (p)	(126.1)	70.8				
Adjusted earnings per share (p)*	74.2	73.1	2%			

*excluding goodwill impairment, amortisation of purchased intangibles and exceptional items

** includes exceptionals (FY 2009 £6.9m/FY2008 £7.7m)

In the context of difficult market conditions and a sharp reduction in trading in the second half of the year, the Group has delivered a good underlying financial performance, benefiting from increased diversification.

Revenue for the year ended 31 March 2009 was robust, increasing to £671.4 million, up 23 per cent over the previous year and up one per cent on a pro forma basis (down six per cent in constant currency). Strong performances in the Post Trade and Information businesses in large part offset lower activity levels in Trading and Issuer Services as market conditions weakened.

Operating costs, excluding goodwill impairment, amortisation of purchased intangibles and exceptional items, were £332.8 million. Costs were controlled well (down 5 per cent in constant currency), with increases from the strengthening Euro offset in large part by cost synergies, reductions in performance related pay and other savings. Headcount during the year reduced by six per cent to 1,135 as at 31 March 2009, net of increases related to Baikal.

The Group incurred exceptional costs of £15.2 million relating to integration work. In addition, amortisation of purchased intangibles, relating to the Italian business, amounted to £49.4 million.

Following a review of goodwill we have taken a £484.0 million non-cash impairment, primarily in respect of the all share merger with Borsa Italiana. This impairment reflects the major deterioration in current economic conditions and the associated greater uncertainty about the future, but has no impact on our day-to-day operations, our ability to generate cash or our banking covenants. Given the strengthening of the Euro, the assessed value in use of Borsa Italiana remains comfortably above the £1.3 billion value at the time of completion of the merger.

Adjusted operating profit (excluding goodwill impairment, amortisation of purchased intangibles and exceptional items) increased 17 per cent to £338.6 million, on a pro forma basis down one per cent. Including goodwill impairment, amortisation of purchased intangibles and exceptional items, the operating result decreased to a loss of £210.0 million.

Following the merger with Borsa Italiana, the Group's reported results are impacted by movement in the Sterling/Euro rate. A five cent movement approximates a two per cent change in adjusted operating profit.

Net finance expense for the year was £44.9 million, reflecting higher average borrowings year on year, partially offset by a reduction in market interest rates. Also included in net finance expense is a net exceptional cost of £6.9 million, relating to £10.6 million for closing out a gilt lock hedging instrument, partly offset by a £3.7 million non-recurring non-cash credit related to the £250 million bond.

The loss before taxation was £250.8 million. After tax, the loss for the Group for the year was £332.8 million (2008: profit of £173.0 million).

The taxation charge for the year was £82.0 million. Adjusting for excluding goodwill impairment, amortisation of purchased intangibles and exceptional items, the tax rate of 32 per cent on underlying profit reflects an effective tax rate of 28 per cent for UK earnings and 37 per cent on Italian earnings.

Capital expenditure amounted to £59.2 million, including £13.2 million associated with integration projects. Most integration expenditure has now been incurred although there will continue to be a number of other projects over the coming year as the Exchange looks to further develop, including upgrades to its trading technology.

The Group delivered good cash flows from operations after exceptional items, increasing 20 per cent to £352.6 million (2008: £292.9 million) reflecting the good operating performance as well as a full year of Borsa Italiana. Free cash flow, after net interest, tax, investing activities and dividends was £100.2 million, from £102.1 million last year (excluding cash from the merger with Borsa Italiana).

The Group has maintained a prudent financial structure, as reflected in an improvement in the Moody's rating from Baa3 to Baa2 in February 2009, as well as retaining an S&P rating at A-. At 31 March 2009 drawn borrowings amounted to £625 million with net debt (after setting aside £125 million for regulatory purposes) of £608 million and the Group's interest cover ratio remained strong at 10.1 times (2008: 9.8 times). Committed facilities available for general Group purposes total £905 million, of which £700 million extends to 2012 or beyond, providing comfortable headroom.

Dividend and share buyback

The Board proposes a final dividend of 16.0 pence per share, to be paid to those shareholders on the register on 24 July 2009, for payment on 17 August 2009. Together with the interim dividend of 8.4 pence per share paid in January 2009, the total dividend for the year rises to 24.4 pence per share, an increase of two per cent over the previous year (2008: 24.0 pence per share). The payment reflects the resilience of the business balanced by the Board's belief that it is appropriate to remain cautious at this stage while market conditions remain exceptionally uncertain.

The Group made on-market purchases of 5.9 million shares for a total consideration of £51.5 million, these purchases taking place in the first half of the year before the programme was halted in September. As at 31 March 2009, the number of ordinary shares in issue was 270,518,518.

Operating Performance

The Group reports its revenues by business segments, these being Issuer Services, Trading Services, Information Services and Post Trade Services. A review of the operational performance of the business is provided below. All comparative information is provided on a pro forma basis.

Issuer Services

	Year ended 31 March		Variance %	Variance at constant currency %
	2009	2008 pro forma		
Annual fees	41.0	40.7	1%	-6%
Admission fees	28.1	34.3	-18%	-21%
RNS, other	21.3	22.1	-4%	-10%
Revenue £m	90.4	97.1	-7%	-12%

Issuer Services comprises the primary market operations of London Stock Exchange and Borsa Italiana. The revenue decline principally reflected a drop in IPO revenue as market conditions for this form of capital raising experienced a marked downturn from the summer onwards. Revenue from Issuer Services comprised 13 per cent of total Group revenue.

	Year ended 31 March		Variance %
	2009	2008	
New Issues			
Main Market, PSM & SFM	65	116	-44%
AIM	87	262	-67%
Blt	8	33	-76%
Total	160	411	-61%

Company Numbers (as at 31 March)			
	2009	2008	Variance %
Main Market, PSM & SFM	1,530	1,592	-4%
AIM	1,478	1,681	-12%
Blt	296	306	-3%
Total	3,304	3,579	-8%

Market capitalisation (as at 31 March)			
	2009	2008	Variance %
Main Market (UK only) (£bn)	1,170	1,707	-31%
AIM (£bn)	38	89	-57%
Borsa Italiana (€bn)	314	604	-48%
Borsa Italiana (£bn)	289	482	
Total (£bn)	1,497	2,278	-34%

Money raised (£bn)			
	2009	2008	Variance %
LSE New money raised	7	21	-67%
LSE Further money raised	91	17	435%
Borsa Italiana new and further money raised	8	7	14%
Total money raised	106	45	136%

Income from annual fees was generally resilient at £41.0 million, with the small reduction in constant currency reflecting a fall in the number of companies on our markets and lower market capitalisations in Italy where fees are re-set semi-annually.

London Stock Exchange remains the international listing venue of choice with 21 international IPOs during the year, with a total of 656 international companies from 72 countries on our markets. We continue to expand into new regions. Fresnillo provided our first IPO from Mexico, we attracted two IPOs from Kuwait, one from Qatar, as well as others from Egypt, Bahrain, Russia and the Czech Republic.

Admission fee revenues fell during the year with turbulent market conditions particularly impacting new issues. Nevertheless, our markets raised a record £106 billion, including £99 billion from further issues. Capital raising was particularly active in the fourth quarter as companies from across the market successfully accessed equity markets at a time when credit markets remained difficult and expensive. In total there were 160 new issues across the Group's markets, including 8 on Borsa Italiana.

In December we launched AIM Italia, which has been well received by Italian companies and investors. Eight Nomads have now been approved and a series of activities and roadshows to promote the new market have identified a good pipeline of potential listings. Two companies have joined the market since year end. In May we formalised agreements for the joint venture company with Tokyo Stock Exchange to run the TOKYO AIM market in Japan.

RNS, the London Stock Exchange's financial communications service, and Servizio Titoli, which provides company secretarial services to listed companies in Italy, made good progress though demand for training and consultancy services and the level of announcements declined in the second half of the year as market activity reduced.

Trading Services

	Year ended 31 March		Variance %	Variance at constant currency %
	2009	2008 pro forma		
Cash	184.1	218.7	-16%	-18%
Derivatives	25.6	24.4	5%	-4%
Fixed income	25.8	32.4	-20%	-32%
Other	39.8	34.5	15%	2%
Revenue £m	275.3	310.0	-11%	-16%

The Trading Services division consists of the cash equities, derivatives and fixed income trading activities of the Group. This division produced a solid performance, against a backdrop of declining value traded as share prices fell and a marked slowdown in trading activity in the second half of the year, and contributed 41 per cent of total Group revenue.

	Year ended 31 March		Variance %
	2009	2008	
Equity Volume Bargains (m)			
LSE	188.6	161.0	17%
Borsa Italiana	64.9	72.6	-11%
Total	253.5	233.6	9%
Equity Value Traded			
LSE (£bn)	1,771	2,276	-22%
Borsa Italiana (€bn)	838	1,518	-45%
Borsa Italiana (£bn)	684	1,070	-36%
Total (£bn)	2,455	3,346	-27%
Equity Average Daily Bargains ('000)			
LSE	740	642	15%
Borsa Italiana	256	290	-12%
Total	996	932	7%
Equity Average Daily Value Traded			
LSE (£bn)	6.9	9.1	-24%
Borsa Italiana (€bn)	3.3	6.1	-46%
Borsa Italiana (£bn)	2.7	4.3	-37%
Total (£bn)	9.6	13.4	-28%
Equity Average Bargain Size			
LSE (£'000)	9.4	14.1	-33%
Borsa Italiana (€'000)	12.9	20.9	-38%
SETS Yield			
Yield per bargain £	0.82	1.12	-27%
Yield basis points	0.87	0.79	10%

Total value traded on SETS declined 22 per cent to £1,771 billion, representing a daily average of £6.9 billion, a reduction of 24 per cent. This fall in value traded mainly reflects the average 22 per cent fall in the value of the FTSE 100 over the period. The total number of SETS bargains increased 17 per cent to 188.6 million, with a 15 per cent increase in average daily bargains to 740,000, driven in part by a continued trend to trade in smaller sizes. The average value of a SETS bargain decreased to £9,400 with the yield per bargain reducing to £0.82, representing a yield of 0.87 basis points of value traded.

Cash equities trading in Italy decreased 11 per cent in total over the year, with 64.9 million trades in the period, and declined 12 per cent on an average basis to 256,000 trades per day. Value traded decreased 45 per cent to €338 billion, mostly due to a 35 per cent decline in the average value of the S&P MIB Index. In November we successfully migrated cash equities trading in Italy to the lower latency TradElect platform, a significant milestone in the integration of our trading businesses. We expect to move Italian ETF, retail fixed income and securitised derivatives markets to TradElect in the first quarter of the current financial year.

The TradElect system was further enhanced during the year with new capabilities and was upgraded again this month to bring trading latency down to 3.7 milliseconds, with capacity increased to 18,000 messages per second. This investment enables customers to trade at very high speed and with greater certainty of execution, helping us compete for orderflow from high frequency technical traders (or electronic liquidity providers), which have become an important new source of liquidity provision.

Other enhancements to our equity trading services during the year included:

- the introduction of central counterparty services for the 50 most liquid depositary receipts on our International Order Book (IOB);
- the launch of a Member Authorised Connection service which enables member firms to offer their customers direct and higher speed access to our trading platform; and
- Competitive clearing for the London market with the option of clearing of SETS trades by X-Clear, the Swiss-based clearing house.

In June 2008 the Group announced its intention to launch a pan-European non-display, or “dark pool”, trading venue, called Baikal. A full team is in place, working towards a phased launch starting this summer, subject to regulatory approval. TradElect will be used as the trading platform, with other technology for smart order routing and algorithmic order entry/trading strategies being provided by specialist technology firms. Clearing services will be provided by the Group’s clearer, CC&G.

In March 2009 we entered into a strategic partnership with Oslo Bors, to cooperate on a number of business opportunities, including the provision of TradElect for cash equities and fixed income in 2010.

The Group maintained its position as the European leader in the provision of, and trading in, Exchange Traded Funds (ETFs). Trading in ETF and Exchange Traded Commodities (ETCs) increased 64 per cent in value, reaching new records levels during the period with 1.9 million trades and value traded at £70 billion.

	Year ended		Variance
	31 March		
	2009	2008	%
Derivatives (contracts m)			
EDX	61.1	48.6	26%
IDEM	37.0	37.2	-1%
Total	98.1	85.8	14%
Fixed Income			
MTS (€bn nominal)	18,310	20,279	-10%
Borsa Italiana MOT (€bn)	197	152	30%
Borsa Italiana MOT number of trades (m)	3.4	2.7	26%

The Group's Derivatives operations performed well overall in challenging markets, with total revenue of £25.6million (down 4 per cent in constant currency). Trading on the Italian derivatives market IDEM reduced slightly, down one per cent to 37.0 million contracts, while on EDX the number of contracts traded increased 26 per cent to 61.1 million, helped by further growth in Russian derivatives which increased 175 per cent in volume terms at 73,000 trades per day. Incentive and rebate scheme changes at EDX, recognising the highly competitive market for Scandinavian derivatives in particular, and tariff changes at IDEM were implemented, with signs that the recent introduction of fee caps in the Italian market is already increasing volumes as a result.

During the year trading commenced on Borsa Italiana's new energy derivatives market, IDEX, which has made a good start in trading of electricity futures. In March we signed an agreement with the Canadian exchange TMX Group to use their derivatives platform, SOLA, for the EDX business and also for use by Oslo Bors by the end of 2009. Earlier this month we strengthened our relationship with TMX taking a 19.9 per cent stake in EDX.

In fixed income markets, trading conditions remained difficult as a consequence of the global credit crisis. On MTS, the leading market in Europe for wholesale electronic trading of bonds, nominal value traded declined ten per cent year on year at €18.3 trillion, with a reduction in the level of government bonds traded which provide a higher yield per trade. However on MOT, Borsa Italiana's Electronic Bond and Government Securities Market, value traded was strong, with an increase of 30 per cent to €197 billion.

Information Services

	Year ended 31 March		Variance %	Variance at constant currency %
	2009	2008 pro forma		
Data charges	114.4	105.6	8%	3%
Other	68.5	56.3	22%	17%
Revenue £m	182.9	161.9	13%	8%

Information Services consists of the information products businesses in London and Milan. The division delivered a strong performance, helped by general resilience in the number of users taking the London Stock Exchange's and Borsa Italiana's real-time market data, and from good growth in revenues from non real-time data products. The division contributed 27 per cent to Group revenues.

	Year ended 31 March		Variance %
	2009	2008	
LSE Terminals			
Professional - UK	42,000	45,000	-7%
Professional - International	62,000	67,000	-7%
Total	104,000	112,000	-7%

Borsa Italiana Professional Terminals	151,000	160,000	-6%
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Demand in both the UK, Italy and elsewhere held up well through most of the year, though headcount reduction at investment and trading firms has now reduced the number of customers for our pricing and trading information. Total professional terminals taking London Stock Exchange data at the year end stood at 104,000, down 8,000 on the same time last year, and down 7,000 in the fourth quarter. In Borsa Italiana there was a similar pattern of development, with professional users taking Italian data down 9,000 at 151,000.

Proquote, the London Stock Exchange's provider of financial market software and data, made good progress. The number of installed screens at year end increased to 4,800 (2008: 4,200), with higher value Proquote International screens standing at 2,700. In Italy, the number of users of Market Connect (to whom real-time information on non Italian markets is supplied) increased 30 per cent to 26,000.

SEDOL, the securities numbering service that provides unique identification for securities on a global basis, produced another good performance with an increase in the number of securities covered to more than 5 million (2008: 2.4 million). A new SEDOL system was launched in the year, using the Exchange's UnaVista technology, providing 1,300 global customers with access to 3 million SEDOLs for global exchange traded derivatives and a range of new website services.

During the year the Group launched a server hosting service, which enables market users to locate their servers in our data centre. This service provides high frequency trading firms with sub-millisecond access to TradElect and Infolect, the trading and information systems, aiding their trading strategies and enhancing trading opportunities. Nine firms are already signed up to use this facility and further space will be made available later this year.

Performance channels, a data delivery service that ensures even during peak trading activity that data is provided at industry leading speeds, was introduced in mid 2008.

In April 2009, FTSE, the global index provider and Borsa Italiana unveiled details of a new series of Italian equity indices, available to domestic and international investors. This FTSE Italia series offers a more structured and integrated range of representative market sectors and segments to help track market performance and provide new investment opportunities. FTSE Group, which is half owned by the London Stock Exchange, continues to perform well, contributing over £10 million to Group profits, including royalties of £8.2 million to Information Services.

Post Trade Services

	Year ended 31 March		Variance %	Variance at constant currency %
	2009	2008 pro forma		
Clearing	52.8	37.4	41%	18%
Settlement	17.2	15.1	14%	-3%
Custody	34.0	29.5	15%	-3%
Revenue £m	104.0	82.0	27%	7%

Post Trade Services comprises the Group's Italian-based clearing, settlement and custody businesses. Revenue growth was mainly driven by a strong performance by the CC&G clearing operations. The Post Trade division accounted for 15 per cent of total Group revenue.

	Year ended		Variance
	31 March		
	2009	2008	%
CC&G Clearing:			
Equity Clearing (m)	66.3	73.8	-10%
Derivative Clearing (m)	37.0	37.2	-1%
Total Contracts (m)	103.3	111.0	-7%
Open interest contracts (m) (as at 31 March)	4.6	3.0	53%
Monte Titoli:			
Settlement Instructions (m)	45.6	52.7	-13%
Custody assets under management (€tn)	2.7	2.8	-4%

CC&G acts as a central counterparty (CCP), guaranteeing trades and eliminating counterparty risk in Italian cash equities, derivatives and fixed income and other products. In turbulent market conditions, CC&G successfully executed this crucial function, enabling trading to continue in volatile conditions and demonstrating the effectiveness of its risk management processes.

Overall clearing transaction volumes decreased as a result of lower trading activity during the year. Open interest at the end of March 2009 was up 53 per cent at 4.6 million contracts. The Clearing business benefited from treasury management fees on increased cash deposits resulting from higher levels of margin required in volatile market conditions, and from wider interest spreads.

CC&G expanded and diversified its customer base, commencing clearing for the Group's new IDEX energy derivatives market. It has applied to the FSA to become a Recognised Overseas Clearing House, which will enable it to offer clearing services in the UK. In the year ahead the business will provide CCP services for Baikal, the Group's pan-European dark pool MTF.

Settlement revenues for Monte Titoli were down three per cent in constant currency terms as the number of settlement instructions during the year decreased 13 per cent, mainly due to a lower level of trades and increased settlement netting.

Monte Titoli's post trade routing system, X-TRM, was successfully used for the first time in the UK with the launch of the Group's IOB clearing service. This service increases operational efficiency through matching trades and automatic routing to the CCP provider.

Monte Titoli custody revenues were £34.0 million, down slightly in constant currency. The average value of assets under custody was broadly stable at €2.7 trillion, mainly reflecting an increase in quantum of corporate and Government bonds and a decline in value of equity assets.

Integration with Borsa Italiana

Very good progress has been made with integration of the two exchanges. The key achievement in this process was the early and successful migration of cash equities trading in Italy onto the TradElect platform in London, thereby integrating our equity trading platforms.

By year end, £19 million of cost synergies had been delivered and we now expect total cost synergies from the merger to be at least £32 million, an increase of 60 per cent on our original forecast. Close to the full run rate will be delivered in the coming financial year. We now expect to incur £42 million of implementation cost to achieve the extra savings, of which £34 million has been incurred to date and a residual £8 million is expected in the coming financial year.

Good work has taken place towards achievement of revenue synergies though the market downturn means these are likely to come through at slower rate than previously expected.

Board of Directors

In February we announced that Clara Furse will step down as Chief Executive. Clara has made a major contribution to the success of the Exchange, leading the transformation from mutual organisation to a dynamic international business, and the Board extends its considerable gratitude for her hard work, dedication and leadership.

Xavier Rolet joined the Group Board in March, and formally assumes the role as Chief Executive from today. He brings 25 years of experience and a thorough understanding of the market, and his deep knowledge and extensive customer network means he is highly qualified to lead the Exchange through its next stages of development and progress.

Current trading and prospects

Trading levels have shown some signs of improvement since the start of the financial year. In April the daily average value traded on UK order book increased two per cent above the average of the previous quarter, though were still well below the levels of the same month last year. In Italy there was stronger growth, with average daily trades 34 per cent above the average of the preceding three months and 19 per cent up on April last year. The number of derivatives traded across the Group's markets increased 41 per cent year on year.

As we look to the future, although the markets and economic environment remain challenging, the Board believes the exchange model will be seen as vital. Over the next year, we expect companies to continue to seek equity funds and we will continue to justify the trust that investors place in our well regulated, highly efficient and price forming trading service.

We are working closely with governments and other policy makers to help ensure that the response to the banking and economic crisis is proportionate and internationally coordinated. We also continue to lobby in the UK and Italy for a tax system that recognises the essential and positive role of equity markets to our economic well-being.

We are benefiting from the synergies from our merger, as well as the benefits of increased diversification.

Although market conditions are expected to remain testing, the Board believes the Group is well placed for the future.

Further information

The Group will host a presentation of its Preliminary Results for analysts and institutional shareholders today at 09:30am at 10 Paternoster Square, London EC4M 7LS. The presentation will be accessible via live web cast, which can be viewed at www.londonstockexchange.com. For further information, please call the Group's Investor Relations team on +44 (0) 20 7797 3322.

The Group will also hold a presentation of its Preliminary Results for members of the press today at 11:30am at 10 Paternoster Square, London EC4M 7LS. For further information, please call the Exchange's London Press Office on +44 (0) 20 7797 1222 or Milan office on +39 02 72 426 212.

Basis of preparation of pro forma information

On 1 October 2007, Borsa Italiana S.p.A. (BlI) was acquired by London Stock Exchange Group plc (LSEG).

The unaudited pro forma information has been prepared by the directors to illustrate the acquisition of BlI as if it had taken place on 1 April 2007 (the first day of the comparative period). In addition, the pro forma information includes the results of MBE Holding S.p.A. (the holding company for MTS), of which the remaining 51% was acquired on 14 September 2007, as if it had been acquired on 1 April 2007 by BlI. The information has not been designed to and does not give a presentation of the consolidated results of LSEG that would have been reported had the business combination actually occurred on 1 April 2007 (for example, it does not include the impact of potential synergies). It has been prepared for illustrative purposes only through the aggregation of existing LSEG, existing BlI group and MBE Holding S.p.A. (including MTS) financial information.

The information has been prepared without making any adjustments to reflect the impact of acquisition accounting in accordance with IFRS 3. Therefore, undue reliance should not be placed on this information.

Results for BlI for the year ended 31 March 2009 have been translated into Sterling using the average monthly exchange rates prevalent during the period equating to an average for the year of €1.20 : £1. Pro forma results for BlI for the year ended 31 March 2008 have been translated at the average exchange rate for the year ended 31 March 2008 of €1.42 : £1. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period. The exchange rate used at 31 March 2009 was €1.08 : £1 (31 March 2008 €1.25 : £1).

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

	Notes	2009			2008		
		Before impairment, amortisation of purchased intangibles and exceptional items £m	Impairment, amortisation of purchased intangibles and exceptional items £m	Total £m	Before amortisation of purchased intangibles and exceptional items £m	Amortisation of purchased intangibles and exceptional items £m (restated)	Total £m (restated)
Continuing operations							
Revenue	3	671.4	-	671.4	546.4	-	546.4
Expenses							
Operating expenses		(332.8)	(64.6)	(397.4)	(257.4)	(23.8)	(281.2)
Operating profit before impairment		338.6	(64.6)	274.0	289.0	(23.8)	265.2
Impairment of goodwill	10	-	(484.0)	(484.0)	-	-	-
Operating profit/(loss)		338.6	(548.6)	(210.0)	289.0	(23.8)	265.2
Finance income		20.8	-	20.8	18.8	-	18.8
Finance expense		(58.8)	(6.9)	(65.7)	(51.5)	(7.7)	(59.2)
Net finance expense	6	(38.0)	(6.9)	(44.9)	(32.7)	(7.7)	(40.4)
Share of profit after tax of joint ventures/associates		2.1	-	2.1	2.2	-	2.2
Profit on disposal of associate		2.0	-	2.0	-	-	-
Profit/(loss) before taxation		304.7	(555.5)	(250.8)	258.5	(31.5)	227.0
Taxation	5,7	(96.7)	14.7	(82.0)	(80.3)	26.3	(54.0)
Profit/(loss) for the financial year		208.0	(540.8)	(332.8)	178.2	(5.2)	173.0
Profit attributable to minority interests		9.1	(3.9)	5.2	4.4	0.3	4.7
Profit/(loss) attributable to equity holders		198.9	(536.9)	(338.0)	173.8	(5.5)	168.3
		208.0	(540.8)	(332.8)	178.2	(5.2)	173.0
Basic (loss)/earnings per share	8			(126.1)p			70.8p
Diluted (loss)/earnings per share	8			(126.1)p			69.7p
Adjusted basic earnings per share	8			74.2p			73.1p
Adjusted diluted earnings per share	8			73.6p			71.9p
Dividend per share in respect of financial year							
Dividend per share paid during the year	9			24.4p			20.0p
Dividend per share declared for the year	9			24.4p			24.0p

STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 March 2009

	2009	2008
	£m	£m
		(restated)
(Loss)/profit for the financial year	(332.8)	173.0
Defined benefit pension scheme actuarial (loss)/gain	(11.7)	21.2
Cash flow hedge	6.2	(7.9)
Net investment hedge	(24.8)	(6.8)
Exchange gains on translation of foreign operation	284.3	212.7
Tax related to items not recognised on income statement	2.2	(3.9)
	256.2	215.3
Total recognised (expense)/income for the financial year	(76.6)	388.3
Attributable to minority interests	14.9	15.9
Attributable to equity holders	(91.5)	372.4
	(76.6)	388.3

BALANCE SHEET

31 March 2009

	Notes	2009 £m	2008 £m (restated)
Assets			
Non-current assets			
Property, plant and equipment		79.9	72.8
Intangible assets	10	1,584.9	1,821.9
Investments in joint ventures		1.7	1.9
Investments in associates		1.9	2.3
Deferred tax assets		5.7	10.0
Available for sale investments		0.4	0.4
Retirement benefit asset		5.0	11.8
Other non-current assets		0.4	0.4
		1,679.9	1,921.5
Current assets			
Trade and other receivables		114.5	121.1
CCP financial assets		32,077.9	15,649.2
CCP cash and cash equivalents (restricted)		3,596.6	1,654.1
CCP clearing business assets	11	35,674.5	17,303.3
Current tax		-	3.9
Assets held at fair value		5.0	13.8
Cash and cash equivalents		143.7	200.6
		35,937.7	17,642.7
Total assets		37,617.6	19,564.2
Liabilities			
Current liabilities			
Trade and other payables		112.9	146.2
Derivative financial instruments		1.6	7.9
CCP clearing business liabilities	11	35,679.2	17,307.7
Current tax		7.6	13.9
Borrowings	12	2.3	436.0
Provisions		3.8	5.2
Other current liabilities		-	1.8
		35,807.4	17,918.7
Non-current liabilities			
Borrowings	12	622.5	256.1
Deferred tax liabilities		103.3	95.7
Retirement benefit obligation		8.3	7.6
Provisions		22.9	23.2
		757.0	382.6
Total liabilities		36,564.4	18,301.3
Net assets		1,053.2	1,262.9
Equity			
Capital and reserves attributable to the Group's equity holders			
Share capital	14,15	18.7	19.1
Retained loss	15	(803.2)	(331.1)
Other reserves	15	1,741.4	1,479.7
		956.9	1,167.7
Minority interests in equity	15	96.3	95.2
Total equity		1,053.2	1,262.9

CASH FLOW STATEMENT

Year ended 31 March 2009

	Note	2009 £m	2008 £m (restated)
Cash flow from operating activities			
Cash generated from operations	16	352.6	292.9
Interest received		7.0	5.8
Interest paid		(52.1)	(39.4)
Corporation tax paid		(51.9)	(68.7)
Withholding tax paid		(30.5)	(12.7)
Net cash inflow/(outflow) from operating activities		225.1	177.9
Cash flow from investing activities			
Net cash inflow from merger		-	82.3
Purchase of property, plant and equipment		(19.9)	(10.3)
Purchase of intangible assets		(36.5)	(21.9)
Disposal of associate		2.7	-
Investment in joint venture		(0.7)	-
Investment in subsidiary		(5.3)	-
Dividends received		3.8	2.4
Acquisition of minority interests in Borsa Italiana		-	(0.5)
Net cash (outflow)/inflow from investing activities		(55.9)	52.0
Cash flow from financing activities			
Dividends paid to shareholders		(65.3)	(46.0)
Dividends paid to minorities		(7.0)	-
Redemption of B shares		(5.3)	(8.1)
Share buyback		(51.5)	(143.8)
Purchase of own shares by ESOP trust		(26.3)	(36.7)
Proceeds from own shares on exercise of employee share options		0.9	5.9
Proceeds from borrowings		735.2	613.0
Repayment of borrowings		(818.5)	(497.5)
Share issue costs		-	(2.9)
Net cash outflow from financing activities		(237.8)	(116.1)
(Decrease)/increase in cash and cash equivalents		(68.6)	113.8
Cash and cash equivalents at beginning of year		200.6	72.9
Exchange gains on cash and cash equivalents		11.7	13.9
Cash and cash equivalents at end of year		143.7	200.6

Group cash flow does not include cash and cash equivalents held by CC&G on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default fund amounts held for counterparties in connection with this operation.

Notes to the Financial Statements

1. Basis of preparation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value, including those of the central counterparty (CCP) clearing business of the Group's majority-owned subsidiary Cassa di Compensazione e Garanzia S.p.A. (CC&G), and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid an understanding of its results by presenting profit for the year before goodwill impairment, amortisation of purchased intangible assets and exceptional 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 cash earnings. Profit before impairment of goodwill, amortisation of purchased intangible assets and exceptional items is reconciled to profit before taxation on the face of the income statement.

2. Prior year adjustment

The Group carries its bank borrowings and bonds at amortised cost, with interest charged to the income statement over the period of the borrowings using the effective interest rate (EIR) method. Its July 2006 £250m bond paid an initial coupon of 5.875 per cent p.a. Due to amendments to the Group's long term credit rating, the coupon increased to 6.125 per cent and 6.375 per cent in July 2007 and January 2008 respectively. For the purposes of its interim and annual financial statements at 30 September 2007 and 31 March 2008, the Group treated this bond as a floating rate instrument and, accordingly, did not reflect the impact of the expected future cash flows at the original EIR in its calculations.

Following further consideration, the Directors decided that, although there were good arguments for treating elements of the bond as floating rate, it was more appropriate to have treated this as a fixed rate instrument. Accordingly, the prior year financial statements have been adjusted by restating the carrying amount of the debt instrument by discounting the revised cash flows using the original EIR, with the resulting adjustments being recorded in the income statement as an exceptional finance cost. The resulting charge to the income statement will be offset following revisions to the EIR calculations, which will result in reduced future interest expense, over the remaining life of the bond.

The effect of these adjustments on the prior year is shown below:

	Year ended 31 March 2008
	£m
	Note
Effect on the income statement	
Profit for the financial year (as originally stated)	178.5
Finance expense increase	6 (7.7)
Taxation charge reduction	2.2
Profit for the financial year (restated)	173.0
Effect on the balance sheet	
Net assets (as originally stated)	1,268.4
Borrowings increase	(7.7)
Current tax creditor decrease	2.2
Net assets (restated)	1,262.9
	Year ended 31 March 2008
Effect on earnings per share	
Basic earnings per share (as originally stated)	73.1p
Prior year adjustment	(2.3p)
Basic earnings per share (restated)	70.8p
Diluted earnings per share (as originally stated)	71.9p
Prior year adjustment	(2.2p)
Diluted earnings per share (restated)	69.7p

There was no effect on adjusted basic earnings per share as the bond adjustment is treated as an exceptional item.

3. Segment information

Segmental disclosures for the year ended 31 March 2009 are shown below.

	Issuer £m	Trading £m	Information £m	Post Trade £m	Other £m	Corporate £m	Group £m
Revenue							
Total revenue	90.6	277.0	183.9	111.4	38.1	-	701.0
Inter-segmental revenue	(0.2)	(1.7)	(1.0)	(7.4)	(19.3)	-	(29.6)
External revenue	90.4	275.3	182.9	104.0	18.8	-	671.4
Expenses							
Depreciation and software amortisation	(3.4)	(15.0)	(12.5)	(3.1)	(1.9)	(0.5)	(36.4)
Other non-exceptional expenses	(48.9)	(117.7)	(75.0)	(33.7)	(12.8)	(8.3)	(296.4)
Adjusted operating profit	38.1	142.6	95.4	67.2	4.1	(8.8)	338.6
Amortisation of purchased intangible assets	(4.6)	(13.5)	(6.7)	(24.6)	-	-	(49.4)
Exceptional integration costs (see note 5)	(0.9)	(3.2)	(3.4)	(4.0)	(0.9)	(2.8)	(15.2)
Operating profit before impairment	32.6	125.9	85.3	38.6	3.2	(11.6)	274.0
Impairment of goodwill	(107.6)	(250.0)	(40.9)	(85.5)	-	-	(484.0)
Operating profit (segment result)	(75.0)	(124.1)	44.4	(46.9)	3.2	(11.6)	(210.0)
Finance income	-	-	-	-	-	20.8	20.8
Finance expense	-	-	-	-	-	(65.7)	(65.7)
Share of profit after tax of joint ventures / associates	-	(0.1)	2.2	-	-	-	2.1
Profit on disposal of associate	-	2.0	-	-	-	-	2.0
Assets	149.1	631.9	322.5	36,386.5	51.8	72.2	37,614.0
Investment in joint ventures / associates	-	1.9	1.7	-	-	-	3.6
Total assets	149.1	633.8	324.2	36,386.5	51.8	72.2	37,617.6
Liabilities	(25.4)	(84.3)	(52.2)	(35,721.7)	(18.4)	(662.4)	(36,564.4)
Capital expenditure	4.1	27.4	13.4	1.6	8.2	4.5	59.2

Comparative segmental disclosures for the year ended 31 March 2008 are as follows:

	Issuer £m	Trading £m	Information £m	Post Trade £m	Other £m	Corporate £m (restated)	Group £m (restated)
Revenue							
Total revenue	82.5	265.1	143.8	46.0	20.5	-	557.9
Inter-segmental revenue	(0.1)	(0.4)	(0.2)	(3.2)	(7.6)	-	(11.5)
External revenue	82.4	264.7	143.6	42.8	12.9	-	546.4
Expenses							
Depreciation and software amortisation	(3.0)	(13.9)	(5.2)	(3.4)	(0.8)	(0.6)	(26.9)
Other non-exceptional expenses	(41.6)	(87.5)	(58.4)	(15.3)	(11.4)	(16.3)	(230.5)
Adjusted operating profit	37.8	163.3	80.0	24.1	0.7	(16.9)	289.0
Amortisation of purchased intangible assets	(2.0)	(5.9)	(2.9)	(10.7)	-	-	(21.5)
Exceptional integration costs (see note 5)	(0.2)	(0.3)	(0.3)	-	-	(1.5)	(2.3)
Operating profit (segment result)	35.6	157.1	76.8	13.4	0.7	(18.4)	265.2
Finance income	-	-	-	-	-	18.8	18.8
Finance expense	-	-	-	-	-	(59.2)	(59.2)
Share of profit after tax of joint venture / associates	-	0.1	2.1	-	-	-	2.2
Assets	232.3	801.1	319.5	18,015.8	42.4	148.9	19,560.0
Investment in joint venture / associates	-	2.0	2.2	-	-	-	4.2
Total assets	232.3	803.1	321.7	18,015.8	42.4	148.9	19,564.2
Liabilities	(32.2)	(71.8)	(47.7)	(17,368.0)	(23.6)	(758.0)	(18,301.3)
Capital expenditure	4.8	15.4	6.4	0.1	1.5	0.1	28.3

The Other segment represents property sub-letting and activities not directly related to the four main business segments and which do not individually constitute separately reportable segments. Corporate expenses are for corporate services which cannot reasonably be allocated to business segments. Other costs are allocated according to appropriate metrics, e.g. headcount or floor space.

4. Employee costs

Employee costs comprise the following:

	2009	2008
	£m	£m
Salaries and other short term benefits	82.4	69.9
Social security costs	13.9	11.9
Pension costs	6.8	5.4
Share based compensation	10.2	12.3
Total	113.3	99.5

The number of employees in the Group was:

	2009			2008		
	UK	Italy	Total	UK	Italy	Total
At the year end	570	565	1,135	599	611	1,210
Average for the year	592	583	1,175	514	358	872

5. Impairment, amortisation of purchased intangible assets and exceptional items

	Notes	2009	2008
		£m	£m
			(restated)
Impairment of goodwill	10	(484.0)	-
Amortisation of purchased intangible assets	10	(49.4)	(21.5)
Integration costs		(15.2)	(2.3)
Total affecting operating profit		(548.6)	(23.8)
Exceptional finance costs:			
Bond adjustment to reflect changes in valuation of cash flows		3.7	(7.7)
Loss on cash flow hedge recycled to income statement		(7.9)	-
Loss on gilt lock contract in the year		(2.7)	-
Total affecting profit before tax		(555.5)	(31.5)
Tax effect on items affecting profit before tax and tax exceptional items			
Deferred tax on amortisation of purchased intangible assets		8.5	3.7
Tax effect on other items affecting profit before tax		6.2	2.9
Credit to taxation in respect of change of Italian tax rate	7	-	19.7
Total tax effect on items affecting profit before tax and tax exceptional items		14.7	26.3
Total charge to income statement		(540.8)	(5.2)

Integration costs relate to the integration of the businesses of the London Stock Exchange and Borsa Italiana, and include costs of integrating trading systems and websites as well as staff related costs. The change of Italian tax rate on 1 January 2008 affected the value of deferred tax liabilities acquired, resulting in a credit to the taxation account.

6. Net finance expense	2009	2008
	£m	£m
		(restated)
Finance income		
Bank deposit and other interest income	7.5	6.3
Expected return on defined benefit pension scheme assets	13.0	12.3
Investment income	0.3	0.2
	20.8	18.8
Finance expense		
Interest payable on bank and other borrowings	(40.4)	(34.5)
Other finance expense	(2.8)	(3.1)
Interest on discounted provision for leasehold properties	(1.2)	(1.3)
Defined benefit pension scheme interest expense	(14.4)	(12.6)
	(58.8)	(51.5)
Exceptional finance expense		
Bond adjustment to reflect change in future coupon	3.7	(7.7)
Loss on cash flow hedge recycled to income statement	(7.9)	-
Loss on gilt lock contract in the year	(2.7)	-
Total exceptional finance expense	(6.9)	(7.7)
	(65.7)	(59.2)
Net finance expense	(44.9)	(40.4)

Due to deteriorating market conditions, a proposed bond issue was deemed as improbable during the year and so the hedging relationship with a gilt lock interest rate contract ended. As a result the accumulated mark to market loss charged through reserves was recycled to the income statement. This and the loss incurred on settlement in December have been disclosed as exceptional finance expense.

7. Taxation

	2009	2008
	£m	£m
Taxation charged to the income statement		(restated)
Current tax:		
UK corporation tax for the year at 28% (last year 30%)	42.4	55.8
Overseas tax for the year	46.7	22.7
Adjustments in respect of previous years	(4.3)	(1.7)
	84.8	76.8
Deferred tax:		
Deferred tax for the current year	3.1	2.3
Adjustments in respect of previous years	2.6	0.5
Exceptional credit to deferred tax in respect of Italian tax rate change	-	(19.7)
Deferred tax on amortisation of purchased intangible assets	(8.5)	(3.7)
Foreign exchange	-	(2.2)
Taxation charge	82.0	54.0

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

	2009	2008
	£m	£m
Taxation on items (credited)/charged to equity		
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	(1.1)	(5.7)
Deferred tax charge/(credit):		
Defined benefit pension scheme actuarial (losses)/gains	(3.2)	6.3
Tax allowance on share options/awards in excess of expense recognised	2.1	3.1
Change in UK tax rate	-	0.2

Factors affecting the tax charge for the year

The reconciling items between the profits multiplied by the UK rate of corporation tax 28% (2008: 30%) and the income statement tax charge for the year are explained below:

	2009	2008
	£m	£m
(Loss)/Profit before taxation	(250.8)	227.0
(Loss)/Profit multiplied by the UK rate of corporation tax at 28% (2008: 30%)	(70.2)	68.2
Expenses not deductible	10.5	2.5
Impairment of goodwill	135.5	-
Share of joint venture and associates consolidated at profit after tax	(0.6)	(1.0)
Exceptional credit to deferred tax in respect of Italian tax rate change	-	(19.7)
Overseas earnings taxed at higher rate	3.2	3.5
Adjustments in respect of previous years	(1.7)	(1.2)
Amortisation of purchase intangible assets	5.3	2.7
Other	-	(1.0)
Taxation charge	82.0	54.0

The weighted average tax rate for the Group was 30% (2008: 32%).

8. 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 goodwill impairment, amortisation of purchased intangible assets and exceptional items to enable comparison of the underlying earnings of the business with prior periods.

	2009	2008 (restated)
Basic earnings per share	(126.1)p	70.8p
Diluted earnings per share	(126.1)p	69.7p
Adjusted basic earnings per share	74.2p	73.1p
Adjusted diluted earnings per share	73.6p	71.9p
	£m	£m
(Loss)/Profit for the financial year attributable to equity holders	(338.0)	168.3
Adjustments:		
Amortisation of purchased intangible assets	49.4	21.5
Impairment of goodwill (note 10)	484.0	-
Integration costs	15.2	2.3
Exceptional finance costs	6.9	7.7
Tax effect of amortisation and exceptional items and tax exceptional item	(14.7)	(24.1)
Exceptional items, amortisation and taxation attributable to minority interests	(3.9)	(1.9)
Adjusted profit for the financial year attributable to equity holders	198.9	173.8
Weighted average number of shares - million	268.1	237.8
Effect of dilutive share options and awards - million	-	3.8
Diluted weighted average number of shares - million	268.1	241.6

The weighted average number of shares excludes those held in the ESOP. The effect of dilutive share options and awards is 2.0 million (2008: 3.8 million), and applies only to adjusted earnings per share in the current year.

9. Dividends

	2009 £m	2008 £m
Final dividend for 2008 paid August 2008: 16.0p per Ordinary share (2007: 12.0p)	42.9	23.8
Interim dividend for 2009 paid January 2009: 8.4p per Ordinary share (2008: 8.0p)	22.4	22.2
	65.3	46.0

The Board has proposed a final dividend in respect of the year ended 31 March 2009 of 16.0 pence per share, which is estimated to amount to £42.8m, to be paid on 17 August 2009.

10. Intangible assets

Group	Goodwill £m	Software £m	Purchased intangible assets £m	Total £m
Cost:				
1 April 2007	32.2	111.3	-	143.5
Additions	-	19.9	-	19.9
Acquisition of subsidiaries	917.3	5.6	635.2	1,558.1
Foreign exchange	132.7	0.8	93.1	226.6
31 March 2008	1,082.2	137.6	728.3	1,948.1
Additions	0.5	35.2	0.9	36.6
Disposals	-	(8.6)	-	(8.6)
Foreign exchange	170.6	1.1	116.7	288.4
31 March 2009	1,253.3	165.3	845.9	2,264.5
Amortisation and accumulated impairment:				
1 April 2007	21.1	66.6	-	87.7
Amortisation charge for the year	-	14.0	21.5	35.5
Disposals	-	-	3.0	3.0
31 March 2008	21.1	80.6	24.5	126.2
Amortisation charge for the year	-	20.3	49.4	69.7
Impairment charge	484.0	-	-	484.0
Disposals	-	(8.5)	-	(8.5)
Foreign exchange	-	-	8.2	8.2
31 March 2009	505.1	92.4	82.1	679.6
Net book values:				
31 March 2009	748.2	72.9	763.8	1,584.9
31 March 2008	1,061.1	57.0	703.8	1,821.9

The purchased intangible assets arising on consolidation represent customer relationships, brands, software and licences relating to Borsa Italiana and EDX.

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to nine cash generating units (CGUs). The Borsa Italiana group comprises seven of these CGUs (Issuer, Equities Trading, Derivatives Trading, Fixed Income Trading, Information Services, Post Trade Services and Other) and Proquote Ltd and EDX London Ltd each constitute one CGU.

The recoverable amount of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by management covering the five year period ending 31 March 2014. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

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

Cash generating unit	Net book value of goodwill					Pre-tax Discount rate used in value in use calculations
	31 March 2008 £m	Additions £m	Foreign Exchange £m	Impairment £m	31 March 2009 £m	
Borsa Italiana group:						
Issuer	115.0	-	18.6	(107.6)	26.0	13.2%
Equities Trading	140.0	-	22.7	(94.2)	68.5	13.6%
Derivatives Trading	26.4	-	4.3	-	30.7	13.5%
Fixed Income Trading	195.4	-	31.7	(155.8)	71.3	12.8%
Information Services	152.1	-	24.6	(29.8)	146.9	13.7%
Post Trade	405.7	-	65.7	(85.5)	385.9	13.8%
Other	15.4	-	3.0	-	18.4	10.9%
Proquote Ltd	11.1	-	-	(11.1)	-	11.5%
EDX London Ltd	-	0.5	-	-	0.5	
	1,061.1	0.5	170.6	(484.0)	748.2	

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

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

Long term growth rates (assumed to be 2.5 per cent for each of the Borsa Italiana group CGUs, and 3.0 per cent for Proquote and EDX) represent management's internal forecasts based on external estimates of GDP and inflation for the ten year period 1 January 2004 to 31 December 2013, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

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

The impairments detailed in the table above were all written off against goodwill and were driven by the significant deterioration in the economic conditions in the markets concerned, corresponding reductions in expected revenues, greater uncertainty about the future and changes in applicable discount rates.

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

Impact on value in use of:

Cash generating unit	Excess of value in use over carrying value	5% reduction in revenues	5% increase in costs	0.5% reduction in long-term growth rate	0.5% increase in pre-tax discount rate
	£m	£m	£m	£m	£m
Borsa Italiana group:					
Issuer	-	(15.7)	(10.0)	(5.8)	(5.6)
Equities Trading	-	(24.3)	(14.3)	(11.0)	(10.4)
Derivatives Trading	28.8	(11.4)	(7.2)	(4.6)	(4.3)
Fixed Income Trading	-	(20.5)	(10.9)	(9.6)	(9.5)
Information Services	-	(24.3)	(11.7)	(12.7)	(11.6)
Post Trade	-	(55.3)	(18.5)	(32.6)	(29.5)
Other	4.0	(5.6)	(3.8)	(1.4)	(1.6)
Proquote Ltd	-	(3.4)	(3.6)	-	-

Management believes goodwill allocated to EDX London Ltd is unlikely to be impaired under any reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the carrying value, post impairment charge, as at 31 March 2009. Revenue and cost sensitivities assume a five per cent change in revenues or costs for each of the five years in the value in use calculations.

11. Financial instruments by category

The financial instruments of the Group are categorised as follows:

	2009	2008
	£m	£m
Assets as per balance sheet		
Financial assets of the CCP clearing business		
- CCP trading assets	5,480.5	4,782.1
- Receivables for repurchase transactions	25,302.5	10,299.3
- Other receivables from clearing members	1,287.6	560.7
- Financial assets held at fair value	7.3	7.1
- Cash and cash equivalents of clearing members	3,596.6	1,654.1
Financial assets of the CCP clearing business	35,674.5	17,303.3
Assets held at fair value	5.0	12.8
Total financial assets for CC&P clearing	35,679.5	17,316.1
Assets held at fair value - non-CCP	-	1.0
Trade and other receivables	114.5	121.1
Cash and cash equivalents	143.7	200.6
Available for sale financial assets	0.4	0.4
Total	35,938.1	17,639.2

	2009	2008
	£m	£m
Liabilities as per balance sheet		
Financial liabilities of the CCP clearing business		
- CCP trading liabilities	5,480.5	4,782.1
- Liabilities under repurchase transactions	25,302.5	10,299.3
- Other payables to clearing members	4,889.0	2,218.1
- Financial liabilities held at fair value	7.2	8.2
Financial liabilities of the CCP clearing business	35,679.2	17,307.7
Borrowings	624.8	692.1
Derivative financial instruments	1.6	7.9
Total	36,305.6	18,007.7

12. Borrowings

	2009	2008
	£m	£m
		(restated)
Current		
Bank borrowings	-	427.2
Redeemable Class B shares	2.3	7.6
Other borrowings	-	1.2
	2.3	436.0
Non-current		
Bond	252.6	256.1
Bank borrowings	369.9	-
	622.5	256.1

The Group has the following unsecured bank facilities:

Type	Expiry date	Facility £m	Drawn at 31 March 2009 £m	Interest rate basis points at 31 March 2009
Bridge facility	April 2010	180.0	180.0	LIBOR + 225
Multi-currency revolving credit facility	October 2011	25.0	12.6	LIBOR + 80
Multi-currency revolving credit facility	February 2012	200.0	-	LIBOR + 125
Multi-currency revolving credit facility	July 2013	250.0	178.9	LIBOR + 80
Capitalised bank facility arrangement fees		-	(1.6)	
		655.0	369.9	

CC&G has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements. In addition, uncommitted credit lines of €1bn are available from major Italian banks in relation to support of the MTS markets. If these are drawn they are guaranteed by Italian government bonds. CC&G also has available to it €150m of committed facilities with banks, available for short term CCP related activity purposes only.

Current borrowings

The Group has Redeemable Class B shares. Holders of B shares are entitled to a non-cumulative preference dividend based on 75 per cent of six month LIBOR on 1 June and 1 December each year until 1 June 2009. The outstanding B shares will be redeemed for 200 pence on 1 June 2009.

Non-current borrowings

In July 2006, the Group issued a £250m bond which is unsecured and is due for repayment in 2016. Interest is paid semi-annually in arrears. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on the Group's credit rating with Moody's, which improved from Baa3 (positive outlook) to Baa2 (stable) in February 2009. Changes in the credit rating since the bond was issued had led to increases in the coupon on the bond by 25 basis points in each of July 2007 and January 2008, which have been reflected in the prior year adjustment (note 2). The bond coupon was 6.375 per cent throughout the last financial year but the impact of the rating improvement will be to reduce the coupon to 6.125 per cent from July 2009.

13. Analysis of net debt

	2009 £m	2008 £m (restated)
Due within one year		
Cash and cash equivalents	143.7	200.6
Bank borrowings	-	(427.2)
Redeemable Class B shares	(2.3)	(7.6)
Other borrowings	-	(1.2)
Derivative financial liabilities	(1.6)	(7.9)
	139.8	(243.3)
Due after one year		
Bank borrowings	(369.9)	-
Bond	(252.6)	(256.1)
Total net debt	(482.7)	(499.4)
Reconciliation of net cash flow to movement in net debt		
	2009 £m	2008 £m (restated)
(Decrease)/increase in cash in the year	(68.6)	113.8
Bank loan repayments/(new loans)	82.0	(271.5)
B share redemptions	5.3	8.1
Other repayments/(loans)	1.2	(0.7)
Change in net debt resulting from cash flows	19.9	(150.3)
Foreign exchange movements	(13.0)	13.9
Movement on derivative financial assets and liabilities	6.3	(7.9)
Bond valuation adjustment	3.5	(7.9)
Net debt at start of year	(499.4)	(347.2)
Net debt at end of year	(482.7)	(499.4)

14. Ordinary share capital

	2009		2008	
	millions	£	millions	£
Authorised	350.0	24,215,116	350.0	24,215,116
Ordinary shares of 6 79/86p	140.6	281,265,500	140.6	281,265,500
Class B shares of £2				
Issued, called up and fully paid				
Ordinary shares of 6 79/86p	270.5	18,716,107	276.4	19,123,893
Class B shares of £2	1.1	2,270,866	3.8	7,568,222
		20,986,973		26,692,115
Less: Class B shares designated as borrowings (see note 12)		(2,270,866)		(7,568,222)
Share capital		18,716,107		19,123,893

During the year the Group re-purchased, and subsequently cancelled, 5.9m ordinary shares at an average price of £8.67 per share. The total consideration was £51.5m. The excess of the consideration over the nominal value has been charged against retained earnings.

15. Reconciliation of movements in equity

		Attributable to equity holders of the Group								
Group	Notes	Ordinary Share capital £m	Retained earnings £m	Other reserves					Minority interest £m	Total equity £m
				Capital redemption reserve £m	Reverse acquisition reserve £m	Foreign Exchange translation reserve £m	Merger Reserve £m	Hedging Reserve £m		
1 April 2007		253.0	(351.7)	258.7	(512.5)	-	-	-	2.6	(349.9)
Issue of shares		5.5	-	-	-	-	1,302.2	-	-	1,307.7
Equity transaction costs		-	-	-	-	-	(3.0)	-	-	(3.0)
Redemption of deferred shares		(238.7)	-	238.7	-	-	-	-	-	-
Redemption of B shares		-	(8.1)	8.1	-	-	-	-	-	-
Total recognised income and expense for the financial year		-	191.1	-	-	201.5	-	(14.7)	15.9	393.8
Final dividend relating to the year ended 31 March 2007	9	-	(23.8)	-	-	-	-	-	-	(23.8)
Interim dividend relating to the year ended 31 March 2008	9	-	(22.2)	-	-	-	-	-	-	(22.2)
Share buyback		(0.7)	(92.3)	0.7	-	-	-	-	-	(92.3)
Employee share schemes and own shares		-	(18.6)	-	-	-	-	-	-	(18.6)
Acquisition of subsidiary		-	-	-	-	-	-	-	76.7	76.7
At 31 March 2008 as originally stated		19.1	(325.6)	506.2	(512.5)	201.5	1,299.2	(14.7)	95.2	1,268.4
Prior year adjustment	2	-	(5.5)	-	-	-	-	-	-	(5.5)
At 31 March 2008 restated		19.1	(331.1)	506.2	(512.5)	201.5	1,299.2	(14.7)	95.2	1,262.9
Redemption of B shares		-	(5.3)	5.3	-	-	-	-	-	-
Total recognised income and expense for the financial year		-	(347.5)	-	-	274.6	-	(18.6)	14.9	(76.6)
Final dividend relating to the year ended 31 March 2008	9	-	(42.9)	-	-	-	-	-	-	(42.9)
Dividend payment to minorities		-	-	-	-	-	-	-	(9.5)	(9.5)
Interim dividend relating to the year ended 31 March 2009	9	-	(22.4)	-	-	-	-	-	-	(22.4)
Share buyback		(0.4)	(38.5)	0.4	-	-	-	-	-	(38.5)
Employee share schemes and own shares		-	(15.9)	-	-	-	-	-	-	(15.9)
Acquisition of subsidiary		-	-	-	-	-	-	-	(4.3)	(4.3)
Share of equity recognised by FTSE		-	0.4	-	-	-	-	-	-	0.4
31 March 2009		18.7	(803.2)	511.9	(512.5)	476.1	1,299.2	(33.3)	96.3	1,053.2

The hedging reserve represents the cumulative fair value adjustment recognised in respect of cash flow hedges and the net investment hedge.

16. Net cash flow generated from operations

	2009	2008
	£m	£m
(Loss)/profit before taxation	(250.8)	227.0
Depreciation and amortisation	85.8	48.4
Goodwill impairment	484.0	-
Loss on disposal of property, plant and equipment	0.1	-
Profit on disposal of share of associate	(2.0)	-
Net finance expense	44.9	40.4
Share of profit after tax of joint ventures	(2.1)	(2.2)
Provisions created during the year	2.1	-
Provisions utilised during the year	(5.0)	(6.0)
Decrease/(increase) in trade and other receivables	15.2	(1.4)
Decrease in trade and other payables	(32.7)	(23.1)
Increase/(decrease) in CCP clearing business liabilities	18,371.5	(287.7)
(Increase)/decrease in CCP financial assets	(18,371.2)	286.3
Defined benefit pension obligation - contributions in excess of expenses charged	(6.9)	(1.1)
Decrease in assets held at fair value from operating activities	9.9	-
Share scheme expense	10.2	12.3
Foreign exchange gains on operating activities	(0.4)	-
Cash generated from operations	352.6	292.9
Comprising:		
Operating activities	378.9	295.4
Exceptional items	(26.3)	(2.5)
	352.6	292.9

Interest on CCP balances is received by CC&G net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow, and is therefore shown in the cash flow statement.

17. Commitments and contingent liabilities

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were nil (2008: £0.1m) and £7.6m (2008: £1.2m) respectively.

The Group is the subject of a legal claim by PLUS Markets, for a declaration and damages relating to certain Rules of the Exchange and their application to AIM. Trial of the matter is due to commence in the near future. The directors are of the opinion that it is highly unlikely that the matter will have a material adverse effect on the financial condition of the Group. Additional information is not disclosed on the grounds that it could result in prejudice to the Group.

18. Abridged Accounts

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